Sonke Pharmaceuticals Proprietary Limited

(Registration number 2005/011027/07)
Financial statements
for the year ended 31 March 2015

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(Registration number 2005/011027/07)
Financial Statements for the year ended 31 March 2015

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Import, marketing, manufacturing and trade of pharmaceutical goods
Directors	R Chakravarti MJ Madungandaba S Reddy M Lotz I Banerjee M Bharadwaj
Holding company	Ranbaxy South Africa Proprietary Limited incorporated in Republic of South Africa
Ultimate holding company	Sun Pharmaceutical Industries Limited incorporated in India
Auditors	PricewaterhouseCoopers Inc. Chartered Accountants (S.A.)
Secretary	Grant Thornton
Company registration number	2005/011027/07
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The financial statements were independently compiled by: F Cooper Chartered Accountant (S.A.)

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The reports and statements set out below comprise the financial statements presented to the shareholders:

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company’s cash flow forecast for the year to 31 March 2016 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 6 to 28, which have been prepared on the going concern basis, were approved by the board on _________________and were signed on their behalf by:

______________________________	______________________________
S Reddy	**M Bharadwaj**

Independent Auditor's Report

To the shareholder of Sonke Pharmaceuticals Proprietary Limited

Independent Auditor's Report

Opinion

In our opinion, the financial statements of Sonke Pharmaceuticals Proprietary Limited for the year then ended 31 March 2015 are prepared, in all material respects, in accordance with the basis of accounting described in note to the financial statements, and the requirements of the Companies Act 71 of 2008.

Partner's name
Partner

31 May 2015
Per:
Additional description
Additional description

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Sonke Pharmaceuticals Proprietary Limited for the year ended 31 March 2015.

1. Nature of business

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

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

2. Review of financial results and activities

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

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

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

4. Dividends

No dividends were declared or paid to the shareholders during the year.

5. Directorate

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

Directors	Nationality	Changes
R Chakravarti	Indian	
MJ Madungandaba	South African	
S Reddy	Indian	
M Lotz	South African	
I Banerjee	Indian	
M Bharadwaj	Indian	
A Madan	Indian	Resigned 14 November 2014

6. Holding company

The company's holding company is Ranbaxy South Africa Proprietary Limited incorporated in Republic of South Africa.

7. Ultimate holding company

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

8. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, that would have a material impact on the position as at 31 March 2015.

Directors' Report

9. Going concern

The 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.

The entity has been awarded a tender to supply Anti Retrial Viral medication to the government over the next three years. The tender awarded was valued at R 2.8 billion and starts from April 2015.

The immediate holding company, Ranbaxy South Africa Proprietary Limited has agreed to provide the company with financial assistance, so as to continue as a going concern.

10. Auditors

PricewaterhouseCoopers Inc. continued in office as auditors for the company for 2015.

11. Secretary

The company secretary functions are performed by Grant Thornton.

Postal address	121 Boshoff Street New Muckleneuk 0181
Business address	First Floor Tugela House Riverside Office Park 1303 Heuwel Avenue Centurion

Statement of Financial Position as at 31 March 2015

Figures in Rand	Note(s)	31 March 2015	31 March 2014
Assets			
Non-Current Assets			
Property, plant and equipment	3	21 043 256	21 105 029
Deferred tax	6	4 714 555	1 243 904
		25 757 811	**22 348 933**
Current Assets			
Inventories	8	33 032 758	18 030 384
Trade and other receivables	9	14 377 092	119 030 118
Current tax receivable		2 462 374	2 486 047
Cash and cash equivalents	10	38 257 552	15 444 233
		88 129 776	**154 990 782**
Total Assets		**113 887 587**	**177 339 715**
Equity and Liabilities			
Equity			
Share capital	11	2 000 500	2 000 500
Accumulated loss		(7 265 347)	1 535 895
		(5 264 847)	**3 536 395**
Liabilities			
Current Liabilities			
Trade and other payables	13	107 242 844	162 743 730
Loans from group companies	4	11 909 590	11 059 590
		119 152 434	**173 803 320**
Total Equity and Liabilities		**113 887 587**	**177 339 715**

The notes on pages 12 - 28 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note(s)	12 months ended 31 March 2015	15 months ended 31 March 2014
Revenue	14	26 193 233	370 716 966
Cost of sales	15	(29 927 152)	(335 024 565)
Gross (loss) profit		**(3 733 919)**	**35 692 401**
Operating expenses		(5 700 654)	(30 321 571)
Operating (loss) profit		**(9 434 573)**	**5 370 830**
Investment revenue	16	16 819	91 248
Finance costs	17	(2 785 643)	(4 137 565)
(Loss) profit before taxation		**(12 203 397)**	**1 324 513**
Taxation	18	3 402 155	(370 864)
(Loss) profit for the year		**(8 801 242)**	**953 649**
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		**(8 801 242)**	**953 649**

The notes on pages 12 - 28 form an integral part of these financial statements.

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Accumulated loss	Total equity
Balance at 01 January 2013	**500**	**2 000 000**	**2 000 500**	**582 246**	**2 582 746**
Profit for the year	-	-	-	953 649	953 649
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**953 649**	**953 649**
Balance at 01 April 2014	**500**	**2 000 000**	**2 000 500**	**1 535 895**	**3 536 395**
Loss for the year	-	-	-	(8 801 242)	(8 801 242)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(8 801 242)**	**(8 801 242)**
Balance at 31 March 2015	**500**	**2 000 000**	**2 000 500**	**(7 265 347)**	**(5 264 847)**
Note(s)	11	11	11		

Statement of Cash Flows

Figures in Rand	Note(s)	12 months ended 31 March 2015	15 months ended 31 March 2014
Cash flows from operating activities			
Cash generated from operations	20	26 330 940	(30 095 652)
Interest income		16 819	91 248
Finance costs		(2 785 643)	(4 137 565)
Tax paid	21	(44 823)	(1 262 879)
Net cash from operating activities		**23 517 293**	**(35 404 848)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1 553 974)	(7 634 439)
Cash flows from financing activities			
Proceeds from loans to group companies		850 000	-
Loans to group companies repaid		-	(65 205)
Net cash from financing activities		**850 000**	**(65 205)**
Total cash movement for the year		**22 813 319**	**(43 104 492)**
Cash at the beginning of the year		15 444 233	58 548 725
Total cash at end of the year	10	**38 257 552**	**15 444 233**

Accounting Policies

1. Presentation of financial statements

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Trade receivables and Loans and receivables

The company 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 company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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. The write down is included in the operating profit note.

Taxation

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

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

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment is depreciated on the straight line basis over it's expected useful lives to the estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.2 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	15 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	4 - 7 years
IT equipment	Straight line	3 years

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

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

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

1.3 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Derecognition

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

Accounting Policies

1.3 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of profit and loss and other comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

Loans to (from) group companies

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

Loans to group companies are classified as loans and receivables.

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

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other receivables are classified as loans and receivables.

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

Accounting Policies

1.3 Financial instruments (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

Borrowings

Borrowings are initially measured at fair value net of transaction costs incurred, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised in the profit/loss over the term of the borrowings using the effective interest method.

1.4 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

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

Tax expenses

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

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

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

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

Accounting Policies

1.5 Inventories

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

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

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

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

1.6 Impairment of assets

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

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

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

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

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

1.7 Share capital and equity

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

Ordinary shares are classified as equity.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

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

Accounting Policies

1.8 Employee benefits (continued)

Defined contribution plans

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

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

1.9 Provisions and contingencies

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

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

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

Provisions are not recognised for future operating losses.

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

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

1.10 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest is recognised, in profit or loss, using the effective interest rate method.

Accounting Policies

1.11 Cost of sales

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

1.12 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets

The amendment to IAS 36 Impairment of Assets now require:
- Disclosures to be made of all assets which have been impaired, as opposed to only material impairments,
- The disclosure of each impaired asset's recoverable amount, and
- Certain disclosures for impaired assets whose recoverable amount is fair value less costs to sell in line with the requirements of IFRS 13 Fair Value Measurement.

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

The company has adopted the amendment for the first time in the 2015 financial statements.

The impact of the amendment is not material.

IFRIC 21 Levies

The interpretation provides guidance on accounting for levies payable to government. It specifies that the obligating event giving rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation. A constructive obligation for levies that will be triggered by operating in future is not raised by virtue of the entity being economically compelled to operate in future or for being a going concern. Furthermore, if the obligating event occurs over a period of time, then the liability is recognised progressively. An asset is recognised if an entity has prepaid a levy before the obligating event. This accounting also applies to interim reporting.

The effective date of the interpretation is for years beginning on or after 01 January 2014.

The company has adopted the interpretation for the first time in the 2015 financial statements.

The impact of the interpretation is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2015 or later periods:

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions.

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

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

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Amendment to IFRS 2: Share-based Payment: Annual improvements project

Amended the definitions of "vesting conditions" and "market conditions" and added definitions for "performance condition" and "service condition."

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

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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

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

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

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

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

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

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

The company expects to adopt the amendment for the first time in the 2016 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Figures in Rand	2015	2014

3. Property, plant and equipment

	2015			2014		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	23 382 200	(3 981 950)	19 400 250	23 382 200	(2 422 050)	20 960 150
Furniture and fixtures	195 635	(150 775)	44 860	193 597	(136 828)	56 769
Motor vehicles	128 860	(100 940)	27 920	154 261	(75 169)	79 092
IT equipment	120 350	(104 098)	16 252	96 987	(87 969)	9 018
Capital - Work in progress	1 553 974	-	1 553 974	-	-	-
Total	**25 381 019**	**(4 337 763)**	**21 043 256**	**23 827 045**	**(2 722 016)**	**21 105 029**

Reconciliation of property, plant and equipment - 2015

	Opening balance	**Additions**	**Depreciation**	**Closing balance**
Plant and machinery	20 960 150	-	(1 559 900)	19 400 250
Furniture and fixtures	56 769	-	(11 909)	44 860
Motor vehicles	79 092	-	(51 172)	27 920
IT equipment	9 018	-	7 234	16 252
Capital - Work in progress	-	1 553 974	-	1 553 974
	21 105 029	**1 553 974**	**(1 615 747)**	**21 043 256**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Closing balance**
Plant and machinery	10 350 327	7 594 314	4 990 946	(1 975 437)	20 960 150
Furniture and fixtures	56 030	21 820	-	(21 081)	56 769
Motor vehicles	85 906	18 305	-	(25 119)	79 092
IT equipment	41 233	-	-	(32 215)	9 018
Capital - Work in progress	4 990 946	-	(4 990 946)	-	-
	15 524 442	**7 634 439**	**-**	**(2 053 852)**	**21 105 029**

4. Loans to (from) group companies

Fellow subsidiaries

	2015	2014
Ranbaxy Netherlands BV incorporated in the Netherlands	(11 909 590)	(11 059 590)

The loan is unsecured, bears interest at prime less 8.5% and is repayable on demand.

5. Financial assets by category

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

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

Notes to the Financial Statements

Figures in Rand	2015	2014

5. Financial assets by category (continued)

2015

	Loans and receivables	Total
Related party receivables	9 165 257	9 165 257
Trade and other receivables	3 396 524	3 396 524
Cash and cash equivalents	38 257 552	38 257 552
	50 819 333	**50 819 333**

2014

	Loans and receivables	Total
Related party receivables	97 009 052	97 009 052
Trade and other receivables	10 453 496	10 453 496
Cash and cash equivalents	15 444 233	15 444 233
	122 906 781	**122 906 781**

6. Deferred tax

Deferred tax asset

	2015	2014
Deferred tax on assessed loss	4 714 555	1 243 904
Deferred tax asset	4 714 555	1 243 904

Reconciliation of deferred tax asset / (liability)

	2015	2014
At beginning of year	1 243 904	1 174 815
Credited to statement of profit and loss and other comprehensive income	3 470 651	69 089
	4 714 555	**1 243 904**

7. Retirement benefits

Defined contribution plan
It is policy of the company to provide retirement benefits to all its full-time employees. A defined contribution pension fund, which is subject to the Pensions Fund Act exists for this purpose. The scheme is funded both by member and by company contributions which are charged to profit or loss as they are incurred. The total company contribution to the scheme in the current year was R 167,693 (2014: R 261,520).

8. Inventories

	2015	2014
Raw materials, components	9 700 796	5 888 423
Finished goods	7 408 245	10 484 605
Goods in transit	15 923 717	1 657 356
	33 032 758	**18 030 384**

Figures in Rand	2015	2014

9. Trade and other receivables

Trade receivables - net	3 256 209	10 453 496
Employee costs in advance	45 800	31 000
Prepayments	140 316	45 516
VAT	1 769 510	11 491 054
Receivables from related parties	9 165 257	97 009 052
	14 377 092	**119 030 118**

The ageing of amounts is as follows:

Current	3 348 361	10 270 296
1 month past due	154 174	193 986
2 months past due	1 631	1 035 880
3 months past due	82 107	742 009
More than 3 months past due	1 977 205	3 992 326
	5 563 478	**16 234 497**

Trade and other receivables impaired

At 31 March 2015, trade and other receivables of R (2 307 273) (2014: R (5 781 001)) were impaired and provided for.

Trade and other receivables past due and impaired amounted to R 2 215 117 and R 92 156 (2014: R -) of current receivables was impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(5 781 001)	(5 781 001)
Impairment reversed	3 473 728	-
	(2 307 273)	**(5 781 001)**

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	38 257 552	15 444 233

11. Share capital

Authorised		
1000 Ordinary shares of R1 each	1 000	1 000
Issued		
500 Ordinary shares of R1 each	500	500
Share premium	2 000 000	2 000 000
	2 000 500	**2 000 500**

12. Financial liabilities by category

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

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

Notes to the Financial Statements

Figures in Rand	2015	2014

12. Financial liabilities by category (continued)

2015

	Financial liabilities at amortised cost	Total
Loans from group companies	11 909 590	11 909 590
Trade and other payables	20 888 093	20 888 093
Related party payables	90 369 630	90 369 630
	123 167 313	**123 167 313**

2014

	Financial liabilities at amortised cost	Total
Loans from group companies	11 059 590	11 059 590
Trade and other payables	14 185 046	14 185 046
Related party payables	148 516 756	148 516 756
	173 761 392	**173 761 392**

13. Trade and other payables

Trade payables	3 001 727	522 582
Payables to related parties	90 369 630	148 516 756
Other accrued expenses	121 698	41 928
Other payables	13 749 789	13 662 464
	107 242 844	**162 743 730**

14. Revenue

Sale of goods	26 193 233	370 716 966

15. Cost of sales

Sale of goods		
Cost of goods sold	29 927 152	335 024 565

16. Investment revenue

Interest revenue		
Bank	16 819	91 248

17. Finance costs

Group companies	2 715 787	4 137 565
Bank	69 856	-
	2 785 643	**4 137 565**

Notes to the Financial Statements

Figures in Rand	2015	2014

18. Taxation

Major components of the tax expense (income)

Current		
Local income tax - current period	-	439 953
Deferred		
Deferred tax movement - current	(3 402 155)	(69 089)
	(3 402 155)	**370 864**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit (loss)	(12 203 397)	1 324 513
Tax at the applicable tax rate of 28% (2014: 28%)	(3 416 951)	370 864
Tax effect of adjustments on taxable income		
Other	14 796	-
	(3 402 155)	**370 864**

19. Auditors' remuneration

Fees	60 000	415 523

20. Cash generated from operations

(Loss)/Profit before taxation	(12 203 397)	1 324 513
Adjustments for:		
Depreciation and amortisation	1 615 747	2 053 852
Interest received - investment	(16 819)	(91 248)
Finance costs	2 785 643	4 137 565
Changes in working capital:		
Inventories	(15 002 373)	20 638 697
Trade and other receivables	104 653 026	(26 597 763)
Trade and other payables	(55 500 887)	(100 964 002)
Related party receivable (non-current)	-	69 402 734
	26 330 940	**(30 095 652)**

21. Tax paid

Balance at beginning of the year	2 486 047	1 663 121
Current tax for the year recognised in profit or loss	-	(439 953)
Prior year over provision	(68 496)	-
Balance at end of the year	(2 462 374)	(2 486 047)
	(44 823)	**(1 262 879)**

Notes to the Financial Statements

Figures in Rand	2015	2014

22. Related parties

Relationships

Ultimate holding company	Sun Pharmaceutical Industries Limited
Holding company	Ranbaxy South Africa Proprietary Limited (formerly Be-Tabs Pharmaceuticals)
Fellow Subsidiaries	Ranbaxy Pharmaceuticals Proprietary Limited Be-Tabs Investments Proprietary Limited Ranbaxy Netherlands BV Ranbaxy Laboratories Limited
Shareholders	Community Investment Pharmaceuticals Proprietary Limited Ranbaxy South Africa Proprietary Limited
Directors	R Chakravanti MJ Madungandaba A Madan M Lotz I Banerjee M Bharadwaj S Reddy

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Ranbaxy Pharmaceuticals Proprietary Limited	6 231 450	96 871 095
Ranbaxy South Africa Proprietary Limited	(382 735)	(30 237 259)
Ranbaxy South Africa Proprietary Limited	233 806	137 957
Ranbaxy Laboratories Limited	(73 478 606)	(64 897 268)
Ranbaxy Pharmaceuticals Proprietary Limited	(16 508 288)	(53 382 229)
	(83 904 373)	**(51 507 704)**

Related party transactions

Interest paid to (received from) related parties		
Ranbaxy South Africa Proprietary Limited	1 865 787	3 077 975
Ranbaxy Netherlands BV	850 000	1 059 590
	2 715 787	**4 137 565**

Purchases from (sales to) related parties		
Ranbaxy Pharmaceuticals Proprietary Limited	(1 375 367)	(87 387 473)
Ranbaxy Pharmaceuticals Proprietary Limited	13 649 033	162 204 987
Ranbaxy South Africa Proprietary Limited	2 510 778	(23 441)
Ranbaxy Laboratories Limited	25 337 202	91 946 008
Ranbaxy Laboratories Limited	(2 978 234)	-
	37 143 412	**166 740 081**

Notes to the Financial Statements

Figures in Rand	2015	2014

23. Directors' and prescribed officer's emoluments

No emoluments were paid to the directors during the year.

Prescribed officers

2015

	Emoluments	Total
D Sewnarain	640 984	640 984

2014

	Emoluments	Total
S Segonego	1 689 061	1 689 061

24. Risk management

Capital risk management

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

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

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

Financial risk management

The company’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

At 31 March 2015	**Less than 1 year**
Trade and other payables	107 242 844
Loan from group company	11 909 590

At 31 March 2014	**Less than 1 year**
Trade and other payables	162 743 730
Loan from group company	11 059 590

Notes to the Financial Statements

Figures in Rand	2015	2014

24. Risk management (continued)

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

At 31 March 2015, if interest rates on Rand-denominated borrowings had been 0.5% higher/lower with all other variables held constant, post-tax profit for the 12 months would have been R 50,000 (2014: R 55,298) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

25. Going concern

The 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.

The entity has been awarded a tender to supply Anti Retrial Viral medication to the government over the next three years. The tender awarded was valued at R 2.8 billion and starts from April 2015.

The immediate holding company, Ranbaxy South Africa Proprietary Limited has agreed to provide the company with financial assistance, so as to continue as a going concern.

26. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year, that would have a material impact on the position as at 31 March 2015.