PHARMA DYNAMICS PROPRIETARY LIMITED

SUMMARY FINANCIAL STATEMENTS

AT

31 MARCH 2017

(This copy of the Summary Financial Statements is consistent in all respects with the Audited Annual Financial Statements which is dated 10 May 2017, except that the prescribed officers' remuneration disclosure has been excluded.)

The summary financial statements have been prepared under the supervision of B A Meyer. Please refer to Pharma Dynamics Proprietary Limited annual financial statements held by the Company Secretary for the prescribed officers' remuneration disclosure.

PHARMA DYNAMICS PROPRIETARY LIMITED

ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2017

DIRECTORS	P S Anley*	(Appointed 1 April 2016)
	C F Roos	(Appointed 1 April 2016)
	T J Scott	
	T R Volle*#	(Appointed 1 April 2016)
	S Makharia*#	
	K K Sharma*#	(Resigned as at 25 May 2016)
	V Dhawan *#	(Resigned as at 25 May 2016)
	S Mumtaz*#	
	A K Ghosh*#	
	* Non-executive director	
	# Foreign resident	
NATURE OF BUSINESS	Distributors of generic medicines	
INCORPORATION	The company is incorporated in the Republic of South Africa	
HOLDING COMPANY	Lupin Holdings B.V. (incorporated in the Netherlands)	
ULTIMATE HOLDING COMPANY	Lupin Ltd (incorporated in India)	
REGISTERED OFFICE	1st Floor, Grapevine House Steenberg Office Park Silverwood Close Westlake 7945	
POSTAL ADDRESS	P O Box 30958 Tokai 7966	
REGISTRATION NUMBER	2001/001124/07	
BANKERS	Standard Bank	
AUDITORS	Ernst & Young Inc.	

The preparation of the annual financial statements was supervised by B A Meyer.

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Building a better working world

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF PHARMA DYNAMICS PROPRIETARY LIMITED

Report on the audit of the summary financial statements

Opinion
The summary financial statements, which comprise the summary statement of financial position as at 31 March 2017, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of Pharma Dynamics Proprietary Limited for the year ended 31 March 2017.

In our opinion, the accompanying summary financial statements, are consistent, in all material respects with the audited financial statements in accordance with the International Financial Reporting Standards.

Other Information
The directors are responsible for the other information. The other information comprises the Report of the Directors and Company Secretary Statement as required by the Companies Act of South Africa as well as the unaudited supplementary schedules. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the summary 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 summary financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Summary financial statements
The summary financial statements do not contain all the disclosure required for annual financial statements by the Companies Act of South Africa. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon
We expressed an unmodified audit opinion on the audited financial statements in our report dated 10 May 2017.

Director's responsibility for the summary financial statements
The company's directors are responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards.

Auditor's responsibility
Our responsibility is to express an opinion on whether the summary financial statements are consistent in all material respects with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Leigh-Ann Caroline Killin
Cape Town
Registered Auditor
Chartered Accountant (SA)
10 May 2017

PHARMA DYNAMICS PROPRIETARY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017

The directors have pleasure in submitting the annual financial statements for the year ended 31 March 2017.

PERFORMANCE HIGHLIGHTS

This last year has seen Pharma Dynamics continue to expand its presence in the South African market place. Pharma Dynamics grew its turnover by 21% to R1 012 million and its profit before tax increased by 22% to R259 million. According to IMS Health (December 2016), Pharma Dynamics is showing a sales growth of 17% which is significantly above the growth of the market for pharmaceuticals in the private sector of 6%, as well as the average growth rate of the 10 largest generic companies, which is 8%. Pharma Dynamics is now ranked number 3 in the prescription generic market in South Africa.

In the re–constructed market, selecting only active molecules that we compete in, Pharma Dynamics is ranked the number one performing company in South Africa.

The cardiovascular portfolio continues to perform well and Pharma Dynamics has entrenched its position as the largest pharmaceutical company in this therapeutic market with sales of R530 million. Pharma Dynamics currently has the two leading antihypertensive brands in South Africa, being Bilocor and Amloc. The OTC (Over the Counter) portfolio of Pharma Dynamics has grown to be the second largest portfolio with sales of R187 million having grown 37% over last year. The CNS (Central Nervous System) portfolio also continues to perform well with sales of R162 million showing a growth of 21%.

The recently launched hospital division achieved sales of R86 million largely as a result of winning certain hospital tenders, despite suffering from delayed product launches as a result of the non-registration of 4 products which were planned for launch during the year.

Operating overheads were well managed within budget, with savings of R11.5 million.

The Department of Health has announced an increase of 7.5% for the single exit price cap for 2017/2018. This increase has been taken on many of our brands, where the market will bear the increased prices.

The launch of SAHPRA (South African Health Products Authority) the highly anticipating new regulatory body that will replace the current MCC was delayed and we expect the launch to be in mid – 2017.

NATURE OF BUSINESS

The company carries on the business of marketing and sales of pharmaceutical and nutriceutical products. All manufacturing and distribution is contracted out.

RESULTS OF OPERATIONS

The results of operations for the year are detailed in the statement of comprehensive income on page 6 and are to be read in conjunction with the relevant notes.

SHARE CAPITAL

The authorised and issued share capital has remained unchanged.

PLANT AND EQUIPMENT

There has been no major change in the nature of plant and equipment or in the policy regarding their use.

PHARMA DYNAMICS PROPRIETARY LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017 (Continued)

EMPLOYEES

The company has 165 employees (2016: 160).

DIVIDEND

No dividends were declared in 2017 (2016: R100 000 000).

DIRECTORS AND SECRETARY

Particulars of the present directors are given on page 1.

Corporate Law Services (Pty) Ltd was the company secretary during the year.

EVENTS SUBSEQUENT TO YEAR END

No material fact or circumstance has occurred between the accounting date and the date of this report.

AUDITORS

Ernst & Young Inc. will continue in office in accordance with section 90(2) of the Companies Act.

COMPANY SECRETARY STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

I hereby confirm, in terms of the Companies Act, No 71 of 2008, that for the year ended 31 March 2017, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of this Act and that all such returns are true, correct and up to date.

Corporate Law Services (Pty) Ltd
Company Secretary
Cape Town

Corporate Law Services (Pty) Ltd.
Company Secretaries
PO Box 7750
Centurion 0046
Tel: (012) 664-1776 Fax: (012) 6441298

2017

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
Revenue	2	1 018 972 836	837 612 662
Turnover – sale of goods	2	1 011 532 152	835 048 937
Cost of sales		(398 557 550)	(301 840 002)
Gross profit		612 974 602	533 208 935
Other income		8 177 721	1 922 948
Operating costs		(369 062 691)	(324 706 943)
Profit from operations	3	252 089 632	210 424 940
Interest income	2	7 440 684	2 563 725
Interest paid		(58 113)	(311 550)
Profit before taxation		259 472 203	212 677 115
Taxation	4	(73 289 352)	(61 450 517)
Profit for the year		186 182 851	151 226 598
Other comprehensive income		-	-
Total comprehensive income for the year		186 182 851	151 226 598

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Note	2017 R	2016 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	3 562 376	4 041 658
Intangible assets	6	40 085 248	39 433 777
		43 647 624	43 475 435
Current assets			
Inventories	8	217 789 941	220 584 611
Trade and other receivables	9	178 375 997	159 351 792
Cash and cash equivalents	10	227 630 337	40 432 935
Taxation receivable		-	2 873 735
		623 796 275	423 243 073
Total assets		667 443 899	466 718 508
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	11	100 000	100 000
Retained earnings		497 311 785	311 128 934
		497 411 785	311 228 934
Non-current liabilities			
Finance lease	12	211 188	67 437
Deferred tax liability	7	25 746	1 888 250
		236 934	1 955 687
Current liabilities			
Tax payable		392 668	-
Trade and other payables	13	155 726 709	140 886 916
Current portion of finance lease	12	88 061	132 422
Provisions	14	13 587 742	9 708 433
Derivative financial instruments	15	-	2 806 116
		169 795 180	153 533 887
Total equity and liabilities		667 443 899	466 718 508

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Ordinary share capital R	Retained earnings R	Total R
Balance at 31 March 2015	100 000	259 902 336	260 002 336
Total comprehensive income for the year	-	151 226 598	151 226 598
Dividends	-	(100 000 000)	(100 000 000)
Balance at 31 March 2016	100 000	311 128 934	311 228 934
Total comprehensive income for the year	-	186 182 851	186 182 851
Dividends	-	-	-
Balance at 31 March 2017	100 000	497 311 785	497 411 785

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 R	2016 R
Cash flows from operating activities			
Cash generated from operations	20.1	258 937 595	214 988 935
Movements in working capital	20.2	(1 456 553)	(89 802 341)
		257 481 042	125 186 594
Interest income		7 440 684	2 563 725
Interest paid		(58 113)	(311 550)
Taxation paid	20.3	(71 885 456)	(61 211 157)
Dividends paid		-	(100 000 000)
Net cash inflow/(outflow) from operating activities		192 978 157	(33 772 388)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 570 333)	(2 681 658)
Proceeds from disposal of property, plant and equipment		447 731	-
Purchase of intangible assets		(4 436 853)	(6 098 681)
Net cash outflow from investing activities		(5 559 455)	(8 780 339)
Cash flows from financing activities			
Finance lease repaid		(221 300)	(162 215)
Net cash outflow from financing activities		(221 300)	(162 215)
Net movement in cash and cash equivalents		187 197 402	(42 714 942)
Cash and cash equivalents at beginning of year		40 432 935	83 147 877
Cash and cash equivalents at end of year	20.4	227 630 337	40 432 935

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017

1 ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below:

1.1 Statement of compliance

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Finance income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts the future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Revenue from the sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

1.3 Property, plant and equipment

Property, plant and equipment are initially recognised at cost, being the cash price equivalent at the recognition date. The cost of an asset comprises any costs incurred in bringing the asset to the location and condition necessary for it to operate as intended by management.

Property, plant and equipment are subsequently stated at cost, less accumulated depreciation and any accumulated impairment in value.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only 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. All other repairs and maintenance expenditures are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation commences when the assets are available for their intended use. Property, plant and equipment are depreciated on the straight-line basis over the expected useful lives of the various classes of assets, after taking into account residual values.

Useful lives of the property, plant and equipment, the depreciation method, depreciation rates, and residual values are reviewed on an annual basis.

Plant and equipment	20.00%
Motor vehicles	20.00%
Furniture and fittings	16.67%
Office equipment	20.00%
Computer equipment	33.33%
Computer software	50.00%
Advertising equipment	20.00%
Leasehold improvements	20.00%

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.3 **Property, plant and equipment** (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Improvements to leasehold property are capitalised and depreciated over the period of the relevant lease agreements if there is no reasonable certainty that the lessee will obtain ownership of the asset at the end of the lease term.

1.4 **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against the profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure is recognised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the ability of resources to complete and the ability to measure reliably the expenditure during the development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related product.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.
The expected useful lives are as follows:

- Trademarks	10 years
- Dossiers purchased / Licence agreements	20 years

The useful life of the intangible assets is reviewed annually and if the expected useful life differs from previous estimates the amortisation period is changed accordingly.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.5 Impairment of non-financial assets

At each reporting date the company assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount, with the impairment loss being recognised in the statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in profit or loss.

1.6 Leases

The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee
Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Leased assets are depreciated to residual value over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

1.7 Inventories

Inventory is valued at the lower of cost, determined on the weighted average basis and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale. Where necessary a provision is made for obsolete, slow moving or defective inventory.

1.8 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.9 Financial Instruments

Financial instruments recognised on the statement of financial position include cash and cash equivalents, loans and receivables, borrowings, other payables and foreign exchange contracts. Financial instruments are initially measured at fair value, including transaction costs, when the company becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as fair value through profit and loss are expensed.

Trade date accounting for 'regular way' purchases or sale of financial assets has been adopted. The trade date is the date that the company commits to purchase or sell an asset. A 'regular way' contract is a contract for the purchase or sale of financial assets that requires delivery of the assets within the time frame generally established by regulation or convention in the marketplace. Subsequent to initial recognition these instruments are measured as set out below.

Foreign exchange contracts

All foreign exchange contracts are derivative financial instruments and are classified at fair value through profit and loss. In terms of Company policy derivative financial instruments are held for trading purposes only and are not of a speculative nature.

Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. A default or delinquency in payment is regarded as objective evidence that a receivable might be impaired.

The amount of the allowance 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 amount of the allowance is recognised in the statement of comprehensive income.

Cash and cash equivalents

Bank balances and cash in the statement of financial position comprise cash at banks and on hand and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, bank balances and cash consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other payables

Liabilities for trade and other payables are carried at amortised cost using the effective interest method.

Borrowings

Borrowings are classified as other financial liabilities and are stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method. Gains and losses are recognised in profit and loss when the liabilities are derecognised or impaired, as well as through the amortisation process.

Impairment

All financial assets are reviewed (individually or collectively) for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Where the carrying value of these instruments exceeds their recoverable amount, the asset is written down to the recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.9 Financial Instruments (Continued)

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Offset

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities on a net basis.

Derecognition

A financial asset is derecognised where:

- The rights to receive cash flows from the asset have expired,
- The company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The company has transferred its right to receive cash flows from the asset or either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

1.10 Provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

1.11 Foreign currency translations

Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (functional currency). The company's functional and presentation currency is South African Rands and all amounts, unless otherwise indicated, are stated in South African Rands.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.12 Taxes

Current tax
Income tax and capital gains tax on the profit or loss for the year comprise current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustments to tax payable in respect of previous years.

Deferred tax
Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, using tax rates enacted at the statement of financial position date. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets and liabilities are not discounted.

Deferred tax relating to items which are charged or credited directly to equity, is also charged or credited directly to equity and is subsequently recognised in the statement of comprehensive income together with the deferred gain or loss.

Value added tax ("VAT")
Revenues, expenses and assets are recognised excluding VAT except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the South African Revenue Service, the VAT is recognised as a part of the cost of acquisition of the asset or as a part of the expense item as applicable and
- Trade receivables and payables are stated inclusive of VAT.

The net amount of VAT recoverable or payable to the South African Revenue Service is included as a part of other payables or receivables.

Withholdings Tax ("DWT")
As of 1 April 2012 dividends withholding tax (DWT) replaced STC as the taxation of dividends. Taxation on declared dividends is now an expense of the recipient of the dividends.

1.13 **Significant accounting judgements and estimates**

Judgements
In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Depreciation rates
At the beginning of each financial year management reviews the assets for their expected remaining useful life and residual values and base their depreciation rates for the year on these inputs.

Amortisation rates
At the beginning of each financial year management reviews the assets for their expected remaining useful life and residual values and base their amortisation rates for the year on these inputs.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.13 Significant accounting judgements and estimates (Continued)

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Bonus provision
Management base the bonus provision on estimated bonus payouts taking into account whether the company achieves its financial targets, individual staff performance and is at the directors' final discretion. Bonuses will be paid out once the annual financial statements have been approved.

Stock obsolescence provision
Stock items are reviewed on a line by line basis by management and any stock that is due to expire in four months is provided for. Slow moving items expected to realise less than cost have a provision raised or the difference between selling price less selling cost and original cost.

Customer Returns
For the sale of goods, the company recognises revenue in full and records a separate liability for expected returns as provisions. The company estimates the amount of returns based on historical data for specific products.

1.14 Standards, interpretations and amendments to published standards that are effective

The following new or revised IFRS statements and interpretations have effective dates applicable to the Company's 31 March 2017 financial year end and have been adopted by the Company:

- IAS 1 Disclosure initiative – Amendments to IAS 1 (effective 1 January 2016).
- IAS 16 Clarification of Acceptable methods of depreciation – Amendments to IAS 16 (effective 1 January 2016).
- IAS 38 Clarification of Acceptable methods of amortisation – Amendments to IAS 38 (effective 1 January 2016).

The application of these standards in the current financial reporting period has been assessed and there was no significant impact on the Company's reported results, financial position and cash flows.

1.15 Standards, interpretations and amendments to published standards that are not yet effective

Certain applicable new standards, interpretations and amendments to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 April 2016 or later periods but which the Company has not early adopted, as detailed below:

- IAS 7 Disclosure initiative – Amendments to IAS 7 (effective 1 January 2017).
- IFRS 16 Leases (effective 1 January 2019).
- IFRS 9 Financial Instruments – Classification and Measurement and impairment (effective 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018).

The impact of the above standards on future financial reporting periods has not yet been fully assessed.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.16 Equity-Settled Employee Share Scheme

Share options in Lupin Limited are granted to directors and key employees of Pharma Dynamics. The scheme in operation is classified as equity-settled. The equity-settled scheme allows certain employees the option to acquire ordinary shares in Lupin Limited. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at grant date of the equity-settled share-based payment is charged as an employee-share option expense on a straight-line basis over the period that the employee becomes unconditionally entitled to the options, based on management of Lupin Limited's estimate of the shares that will vest and adjusted for the effect of non-market vesting conditions. These share options are not subsequently revalued.

Fair value is determined using the black scholes model where applicable. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services at the reporting date.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

		2017 R	2016 R
2	**REVENUE**		
	Revenue comprises the following:		
	Turnover – sale of goods	1 011 532 152	835 048 937
	Interest income	7 440 684	2 563 725
		1 018 972 836	837 612 662
3	**PROFIT FROM OPERATIONS**		
	Profit from operations is stated after taking the following items into account:		
	Expenses		
	Amortisation of intangible assets	1 737 795	1 859 186
	Impairment of intangible assets	2 047 587	322 163
	Auditor's remuneration	1 293 456	858 864
	- current year	1 112 456	637 864
	- non audit services	181 000	221 000
	Depreciation	1 523 102	1 472 391
	Operating lease expense		
	- premises	3 246 422	4 160 679
	- equipment	423 489	-
	Loss on disposal of property, plant and equipment	78 782	21 425
	Employee costs		
	Directors' emoluments		
	- Executive	5 645 403	5 252 620
	- Non-executive	1 661 012	-
	- Salaries and wages	75 971 005	64 250 840
	- Commissions	14 678 055	10 621 147
	- Motor vehicle allowances	8 855 440	7 644 787
	- Staff recruitment fees	521 269	1 474 453
	- Staff training and welfare	690 610	481 071
	Total employee costs	108 022 794	89 724 918
	Income		
	Profit/(loss) on foreign exchange	7 326 834	(8 356 108)

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

	2017 R	2016 R
4 TAXATION		
Current income tax charge	75 151 856	58 361 841
Current year	74 414 041	58 361 841
Prior year under provision	737 815	-
Deferred tax		
Relating to origination and reversal of temporary differences	(1 862 504)	3 088 676
	73 289 352	61 450 517

Tax rate reconciliation	%	%
Normal rate of taxation	28.00	28.00
Non-deductible expenses	-	0.89
Prior year under provision	0.25	-
Effective rate	28.25	28.89

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements R	Plant and equipment R	Motor vehicles R	Furniture and fittings R	Advertising equipment R	Office equipment R	Computer equipment R	Computer software R	Library R	Total R
2017										
Beginning of year										
- assets at cost	944 359	956 700	586 290	3 108 756	12 933	359 561	3 322 498	1 655 452	9 333	10 955 882
- accumulated depreciation	(628 373)	(427 250)	(352 802)	(1 867 354)	(12 933)	(287 954)	(2 086 549)	(1 241 676)	(9 333)	(6 914 224)
Carrying value	315 986	529 450	233 488	1 241 402	-	71 607	1 235 949	413 776	-	4 041 658
Current year movements										
- additions	139 919	-	321 783	279 590	-	46 153	512 035	270 853	-	1 570 333
- disposals	-	-	(70 225)	-	-	-	(19 117)	(437 171)	-	(526 513)
- depreciation	(146 341)	(140 304)	(102 717)	(368 699)	-	(25 259)	(665 427)	(74 355)	-	(1 523 102)
Balance at end of year	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
Made up as follows:										
- assets at cost	1 084 279	956 698	697 399	3 387 794	12 933	405 714	2 298 664	662 907	9 333	9 515 721
- accumulated depreciation	(774 715)	(567 552)	(315 070)	(2 235 501)	(12 933)	(313 213)	(1 235 224)	(489 804)	(9 333)	(5 953 345)
Carrying value	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
2016										
Beginning of year										
- assets at cost	737 748	553 390	884 672	2 396 742	12 933	350 162	2 448 832	1 233 332	9 333	8 627 144
- accumulated depreciation	(490 290)	(332 642)	(507 309)	(1 564 186)	(12 933)	(249 497)	(1 620 880)	(965 533)	(9 333)	(5 752 603)
Carrying value	247 458	220 748	377 363	832 556	-	100 665	827 952	267 799	-	2 874 541
Current year movements										
- additions	206 611	403 310	-	712 014	-	9 399	928 204	422 120	-	2 681 658
- disposals	-	-	(31 837)	-	-	-	(10 313)	-	-	(42 150)
- depreciation	(138 083)	(94 608)	(112 038)	(303 168)	-	(38 457)	(509 894)	(276 143)	-	(1 472 391)
Balance at end of year	315 986	529 450	233 488	1 241 402	-	71 607	1 235 949	413 776	-	4 041 658
Made up as follows:										
- assets at cost	944 359	956 700	586 290	3 108 756	12 933	359 561	3 322 498	1 655 452	9 333	10 955 882
- accumulated depreciation	(628 373)	(427 250)	(352 802)	(1 867 354)	(12 933)	(287 954)	(2 086 549)	(1 241 676)	(9 333)	(6 914 224)
Carrying value	315 986	529 450	233 488	1 241 402	-	71 607	1 235 949	413 776	-	4 041 658

Fully depreciated assets still in use have a cost of R2 910 978 (2016: R3 919 120).

Included in motor vehicles above are assets under finance lease with cost R529 809 (2016: R586 289), net book value of R382 329 (2016: R233 487) and accumulated depreciation of R147 480 (2016: R352 802).

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

6 INTANGIBLE ASSETS

	2017			2016		
	Cost R	Accumulated amortisation R	Carrying value R	Cost R	Accumulated amortisation R	Carrying value R
Trademarks	580 030	(580 030)	-	580 030	(580 030)	-
Purchased dossiers / Licence agreements	52 282 819	(12 197 571)	40 085 248	50 539 877	(11 106 100)	39 433 777
	52 862 849	(12 777 601)	40 085 248	51 119 907	(11 686 130)	39 433 777

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

	Carrying value at beginning of year R	Additions R	Impairment R	Amortisation R	Carrying value at end of year R
2017					
Purchased dossiers / Licence agreements	39 433 777	4 436 853	(2 047 587)	(1 737 795)	40 085 248
	39 433 777	4 436 853	(2 047 587)	(1 737 795)	40 085 248
2016					
Purchased dossiers / Licence agreements	35 516 445	6 098 681	(322 163)	(1 859 186)	39 433 777
	35 516 445	6 098 681	(322 163)	(1 859 186)	39 433 777

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

7 DEFERRED TAX

	Statement of financial position		Statement of comprehensive income	
	2017 R	2016 R	2017 R	2016 R
Analysis of deferred tax				
Deferred tax assets/(liabilities)				
Property, plant and equipment	(107 052)	(65 377)	(41 676)	40 285
Trademarks	32 482	40 603	(8 120)	(8 120)
Provision for obsolete stock	410 954	68 566	342 389	(155 478)
Provision for doubtful debts	5 434	10 836	(5 402)	435
Intangibles	(3 723 253)	(3 413 137)	(307 104)	(312 554)
Provision for sales return	370 905	-	370 905	-
Prepaid expenses	(844 650)	(919 302)	74 653	(337 660)
Provisions	3 325 719	1 805 514	1 517 192	(657 073)
Lease liability	83 790	55 960	27 829	(41 767)
Deferred rent	419 925	429 741	(9 816)	384 910
Intercompany unrealised forex	-	98 346	(98 346)	98 346
Provision for litigation claim	-	-	-	(2 100 000)
	(25 746)	(1 888 250)	1 862 504	(3 088 676)

8 INVENTORIES

	2017 R	2016 R
The amounts attributable to the different categories are as follows:		
Raw materials	1 764 527	1 256 295
Work in progress	5 949 967	39 671 451
Finished goods	210 075 447	179 656 865
	217 789 941	220 584 611

The amount of write-downs of inventory recognised as an expense is R7 388 135 (2016: R2 719 934) which is recognised in cost of sales. At year end, the provision for obsolete stock amounts to R1 467 699 (2016: R244 879). Inventory is written off due to the goods being damaged or expired.

9 TRADE AND OTHER RECEIVABLES

	2017 R	2016 R
Interest receivable	3 283 204	-
Trade receivables	171 418 244	155 598 226
Deposits	457 745	408 023
Prepayments	3 242 678	3 397 142
Provision for doubtful debts	(25 874)	(51 599)
	178 375 997	159 351 792

Reconciliation of provision for doubtful debts:

	2017	2016
Balance at 1 April	(51 599)	(49 529)
Provision raised during the year	(25 874)	(55 539)
Provision utilised during year	51 599	53 469
Balance at 31 March	(25 874)	(51 599)

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

		2017 R	2016 R
10	**CASH AND CASH EQUIVALENTS**		
	Bank and cash	83 942 942	33 616 912
	Short term deposits	143 687 395	6 816 023
	Cash and cash equivalents	227 630 337	40 432 935

Total facilities include a credit card facility of R720 000, fleet management services facility of R400 000, forward exchange contracts facility of R18 000 000, vehicle and asset financing of R2 500 000 and Letter of Credit of R5 000 000.

		2017 R	2016 R
11	**SHARE CAPITAL**		
	Authorised		
	100 000 ordinary shares of R1 each	100 000	100 000
	Issued		
	100 000 ordinary share of R1 each	100 000	100 000
	Reconciliation of number of shares in issue		
	Issued shares at 1 April	100 000	100 000
	Shares issued	-	-
	Issued shares at 31 March	100 000	100 000

12 FINANCE LEASE COMMITMENTS

The company has a finance lease contract for various items of equipment and motor vehicles. Future minimum lease payments under finance leases and hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	2017		2016	
	Minimum payments R	**Present value of payments R**	**Minimum payments R**	**Present value of payments R**
Within one year	101 150	88 061	146 483	132 422
After one year but not more than five years	223 526	211 188	73 783	67 437
Total minimum lease payments	324 676	299 249	220 266	199 859
Less amounts representing finance charges	(25 426)	-	(20 407)	-
Present value of minimum lease payments	299 250	299 249	199 859	199 859

	2017 R	2016 R
13 TRADE AND OTHER PAYABLES		
Trade payables*	67 295 477	77 193 629
Other payables	6 380 392	2 535 470
Accruals	71 505 672	56 658 371
Dossier purchases	530 712	903 812
VAT	10 014 456	3 595 634
	155 726 709	140 886 916

*Included in trade payables is amounts owing to related parties. Refer to note 16 for details

14 PROVISIONS

Opening balance	9 708 433	10 055 920
Utilised	(3 252 036)	(2 555 920)
Additions	7 131 345	2 208 433
	13 587 742	9 708 433

Provisions consist of:

Incentive bonus

Incentive bonuses are based on year end audited results. These bonuses are paid out once the annual financial statements have been signed off.

Litigation fees

Pharma Dynamics (Pty) Ltd lodged an appeal on a court ruling against them in the prior financial year. This appeal was heard in the current year and subsequently lost. It is probable that Pharma Dynamics will be liable to pay a portion of the claimant's legal fees for the original court case as well as the appeal. As a result, management has provided their best estimate of these legal fees to be in the region of R6.4million (2016: R7.5m)

	2017 R	2016 R
15 DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign exchange contracts	-	2 806 116

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

16 RELATED PARTIES

The following companies and other entities are regarded as related parties:

Ultimate holding company

Lupin Ltd (Incorporated in India)

Holding company

Lupin Holdings B.V. (incorporated in the Netherlands)

Entities controlled by Pharma Dynamics directors

Pharma Disease Management Solutions (Pty) Ltd – P. Anley and T. J. Scott

Entities controlled by a close family member of director

Para Medical Supplies CC – P. Anley

2017

	Rental paid R	Inventory purchased R	Equity-Settled Employee Share Scheme (ESOP) R	IT expenses R	Amount owing to related party R
Lupin Ltd	-	29 403 642	2 772 316	92 271	16 201 465
Pharma Disease Management Solutions (Pty) Ltd	3 417 584	-	-	-	53 999

2016

	Rental paid R	Inventory purchased R	Advertising conducted R	Legal services provided R	Dividend declared R	Amount owing to related party R
Lupin Ltd	-	32 804 612	-	-	-	10 882 410
Lupin Holdings B.V.	-	-	-	-	100 000 000	-
Pharma Disease Management Solutions (Pty) Ltd	3 066 961	-	-	-	-	26 913
Para Medical Supplies CC	-	-	441 608	-	-	-
John Taylor Attorneys	-	-	-	10 700	-	-

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise interest-bearing loans and borrowings. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the company's financial instruments are credit risk, liquidity risk and market risk.

In assessing risk, the company classifies financial assets and liabilities as follows:

Assets	Note	Loans and receivables R	Non-financial assets R	Total R
2017				
Trade and other receivables	9	175 133 319	3 242 678	178 375 997
Cash and cash equivalents	10	227 630 337	-	227 630 337
Total		402 763 656	3 242 678	406 006 334
2016				
Trade and other receivables	9	155 954 650	3 397 142	159 351 792
Cash and cash equivalents	10	40 432 936	-	40 432 936
Total		196 387 586	3 397 142	199 784 728

Liabilities	Note	At amortised cost R	Fair value through profit and loss R	Non-financial liabilities R	Total R
2017					
Trade and other payables	13	111 571 147	-	44 155 562	155 726 709
Finance lease	12	299 249	-	-	299 249
Total		111 870 396	-	44 155 562	156 025 958
2016					
Trade and other payables	13	108 692 884	-	32 194 031	140 886 915
Finance lease	12	199 858	-		199 858
Foreign exchange contracts	15	-	2 806 116	-	2 806 116
Total		108 892 742	2 806 116	32 194 031	143 892 889

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.1 Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Potential concentrations of credit risk consist principally of trade receivables and short term cash investments.

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debt is not significant.

The company only deposits short term cash surpluses with major banks of high quality credit standing.

The company's maximum exposure to credit risk is as follows:

	Maximum credit risk	
	2017 R	2016 R
Trade receivable	175 133 319	155 954 650
Short term deposits	143 687 395	6 816 023
Bank and cash	83 942 942	33 616 912
	402 763 656	196 387 585

The company did not consider there to be any significant credit risk exposure which has not been adequately provided for.

Listed below is the age analysis of trade and other receivables. The age analysis is based on credit terms.

		Neither past due nor impaired	Past due but not impaired			
	Carrying amount R	Current R	30 to 60 days R	60 to 90 days R	90 to 120 days R	More than 121 days R
2017						
Trade receivables	171 418 244	126 709 044	42 061 082	2 479 935	68 221	99 962
Other receivables	3 715 075	3 715 075	-	-	-	-
	175 133 319	130 424 119	42 061 082	2 479 935	68 221	99 962

		Neither past due nor impaired	Past due but not impaired			
	Carrying amount R	Current R	Less than 30 days R	Between 30 and 60 days R	Between 60 and 90 days R	More than 90 days R
2016						
Trade receivables	155 445 851	98 018 305	55 096 979	2 714 563	27 950	(411 946)
Other receivables	508 798	508 798	-	-	-	-
	155 954 649	98 527 103	55 096 979	2 714 563	27 950	(411 946)

17.2 Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the company's reputation.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.2 Liquidity risk management (continued)

The table below details the company's expected maturity for its financial liabilities. The amounts are based on the undiscounted contractual maturities of the financial liabilities.

	Weighted average interest rate %	On demand R	Less than 1 month R	1 to 3 months R	3 months to 1 year R	1 to 2 years R	Over 2 years R	Total R
2017								
Non-interest bearing liabilities								
- trade payables	-	22 600 956	28 732 385	60 237 806	-	-	-	111 571 147
Interest bearing liabilities								
- finance lease	9.92	-	11 278	20 611	84 930	89 053	93 377	299 249
		22 600 956	28 743 663	60 258 417	84 930	89 053	93 377	111 870 396
2016								
Non-interest bearing liabilities								
- trade payables	-	1 754 984	2 805 167	101 624 394	2 508 340	-	-	108 692 885
Interest bearing liabilities								
- finance lease	9.92	-	48 719	30 868	54 186	58 120	26 023	217 916
		1 754 984	2 853 886	101 655 262	2 562 526	58 120	26 023	108 910 801

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED)

17.2 Liquidity risk management (continued)

The company has substantial banking and borrowing capacity which has not been fully utilised due to the cash surpluses available. Total banking facilities are as follows:

	2017 R	2016 R
Total facilities at the date of this report:		
Credit card	720 000	720 000
Foreign exchange contracts	18 000 000	18 000 000
Fleet management	400 000	400 000
Vehicle and asset finance	2 500 000	390 000
Letter of credit	5 000 000	5 000 000
	26 620 000	24 510 000
Unutilised borrowing facility:		
Credit card	417 662	193 176
Foreign exchange contracts	18 000 000	15 098 517
Fleet management	67 754	108 751
Vehicle and asset finance	675 209	116 831
Letter of credit	5 000 000	1 633 753
	24 160 625	17 151 028

17.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of market prices. Market prices comprise three types of risk: Interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include trade receivables, loans and borrowings, cash and cash equivalents, deposits, and derivative financial instruments.

17.3.1 Foreign currency risk management

The company undertakes certain transactions in foreign currencies, hence exposure to exchange rate fluctuations arise.

The company had foreign liabilities at 31 March 2017 amounting to: EUR 194 407, GBP 13 015 and USD 1 465 347. These amounts total R21 963 841 and is included as part of trade and other payables per the statement of financial position.

The company measures sensitivity to foreign exchange rates as the effect of a change in the foreign currency exchange rate on profit before tax based on the company's exposure at 31 March. The company regards a 15% change in the foreign exchange rate as being reasonably possible at 31 March.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.3.1 Foreign currency risk management (continued)

The sensitivity of the company's profit before tax due to a reasonably possible change in exchange rates, with all other variables held constant, through the impact on foreign purchases is as follows:

	Movement in foreign currency rate	Effect on profit before tax R
2017		
Euro	15%	418 102
Pound Sterling	15%	32 722
US Dollar	15%	2 949 985

	Movement in foreign currency rate	Effect on profit before tax R
2016		
Euro	15%	6 330 313
Pound Sterling	15%	883 137
US Dollar	15%	2 410 751

The company has trade payables that have foreign currency exposures that result from purchases of generic medicines in a currency basis that is different to the company's functional currency. In order to mitigate the risk of these foreign currency transactions, these transactions are covered by forward exchange contracts.

All open foreign exchange contracts are valued at current market rates and resultant profits or losses as recognised in the statement of comprehensive income.

No foreign exchange contracts were in place as at 31 March 2017.

The following foreign exchange contracts were in place as at 31 March 2016.

	2016		
	Foreign amount	Weighted average exchange rate per currency R	Rand equivalent R
Foreign exchange contracts			
Import			
USD	1 552 136	15.89	24 663 441
EUR	2 121 408	17.47	37 060 998

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.3.2 Interest rate risk management

The company finances its operations through a mixture of excess cash and bank borrowings. As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and the re-financing of existing borrowings are positioned according to expected movements in the interest rates.

The company measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on profit before tax based on the company's exposure at period end. The company regards a 1% (2016: 1%) change in the Reserve Bank repo rate as being reasonably possible at period end. The sensitivity of the company's profit before tax due to a reasonably possible change in interest rates, with all other variables held constant, through the impact on cash and cash equivalents and financing leases is therefore as follows:

	Movement in basis points	Effect on profit before tax R
2017	+100	2 273 311
	-100	(2 273 311)
2016	+100	402 150
	-100	(402 150)

17.4 Fair value of financial instruments

Loans and receivables, which are considered level 2, are usually short-term in nature or attract market related rates of interest, meaning that the carrying amount of these instruments closely approximates the fair value. The fair value of cash and cash equivalents is generally considered to be the amount held on deposit at the relevant institution. When considered necessary a credit spread will be applied. This is considered a level 2 valuation.

Management is of the opinion that the carrying amount of all remaining financial instruments approximates the fair value in the statement of financial position as these balances are due within 30 days.

17.5 Capital risk management

The company manages its capital to ensure that the company will be able to continue to operate as a going concern while maximising the return to stakeholders.

The capital structure comprises debt and equity attributable to equity holders, comprising issued share capital and distributable reserves as disclosed in the statement of changes in equity.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding to fund the company's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

The company's overall risk management strategies remain unchanged from 2016.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

18 OPERATING LEASE COMMITMENTS

The company has entered into commercial leases on certain office premises and equipment. These leases have an average life of 5 years. There are no restrictions placed upon the lessee by entering into these leases.
Future minimum rentals payable under non-cancellable operating leases are as follows:

	2017 R	2016 R
Within one year	4 000 417	4 066 122
After one year but not more than five years	9 747 406	12 530 139
Total	13 747 823	16 596 261

19 COMMITMENTS

The company has committed to the purchases of certain certificates of registration. It is intended to finance this expenditure from existing borrowing facilities and from internally generated funds.

Included in capital expenditure contracted of R16 588 848 (2016: R23 398 814) are amounts owing in foreign currencies of USD 187 500, EUR 933 178 and GBP 70 000 (2016: USD 93 000, EUR 1 192 750 and GBP 77 500). These amounts are not covered by forward exchange contracts or any hedging instruments at the end of the year.

Subject to registration dates it is estimated that the amount of R16 588 848 (2016: R23 398 814) will be payable over the following financial years:

	2017 R	2016 R
2017	-	7 179 669
2018	6 872 107	8 738 612
2019	3 619 403	2 769 432
2020	3 686 543	4 711 101
2021	1 479 887	-
2022	930 908	-
	16 588 848	23 398 814

No securities were provided by the company for these future commitments.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

		2017 R	2016 R
20	**NOTES TO THE STATEMENT OF CASH FLOWS**		
20.1	**Cash generated from operations**		
	Reconciliation of profit before taxation to cash generated from operations		
	Profit before taxation	259 472 203	212 677 115
	Adjusted for:		
	Depreciation	1 523 102	1 472 391
	Disposal of fixed assets	78 782	21 425
	Interest income	(7 440 684)	(2 563 725)
	Interest paid	58 113	311 550
	Discounts and rebates allowed	79 509	33 771
	Bad debts	66 811	57 677
	Movement in provision	3 879 309	(347 487)
	Amortisation	1 737 795	1 859 186
	Impairment of intangible assets	2 047 587	322 163
	Unrealised (profit)/loss on foreign currency	(2 564 932)	1 144 869
	Operating profit before working capital changes	258 937 595	214 988 935
20.2	**Movement in working capital changes**		
	Increase in inventory	2 794 670	(95 271 327)
	Increase in trade and other receivables	(19 091 016)	(34 573 128)
	Increase in trade and other payables	14 839 793	40 042 114
		(1 456 553)	(89 802 341)
20.3	**Reconciliation of taxation paid during year**		
	Normal tax		
	Balance at beginning of the year	2 873 732	24 416
	Current tax recognised in the statement of comprehensive income	(75 151 856)	(58 361 841)
	Balance at end of the year	392 668	(2 873 732)
	Total tax paid	(71 885 456)	(61 211 157)
20.4	**Cash and cash equivalents**		
	Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:		
	Cash and cash equivalents	227 630 337	40 432 935

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2017 (CONTINUED)

21 DIRECTORS' EMOLUMENTS

	Executive Director Cornelius Frederik Roos		Executive Director Thomas Scott		*Non-Executive Director Paul Anley		Total	
	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R	2017 R	2016 R
Normal payroll								
Cash salary	2 604 893	-	1 369 415	1 205 195	900 000	2 536 705	4 874 308	3 741 900
Medical aid	56 628	-	55 808	50 873	-	82 119	112 436	132 992
Provident fund	418 889	-	220 376	204 892	-	-	639 265	204 892
Retirement annuity contribution	-	-	-	-	-	190 253	-	190 253
Trauma	12 237	-	6 438	5 795	-	-	18 675	5 795
Bonuses and performance payments	196 200	-	231 016	303 619	761 012	380 885	1 188 228	684 504
Other allowances	92 302	-	21 201	24 165	-	44 343	113 503	68 508
Car allowances	240 000	-	120 000	-	-	223 776	360 000	223 776
	3 621 149	-	2 024 254	1 794 539	1 661 012	3 458 081	7 306 415	5 252 620

***Paul Anley became a non-executive director during the 2017 financial year. The bonuses and performance payments relate to his role as an executive director during the 2016 financial year.**

PHARMA DYNAMICS PROPRIETARY LIMITED

DETAILED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	2017 R	2016 R
Gross Revenue		
Sales	1 011 532 152	835 048 937
Cost of sales	(398 557 550)	(301 840 002)
Gross profit	612 974 602	533 208 935
Other income and interest	15 560 292	4 175 123
Interest received	7 440 684	2 563 725
Income - Stock losses charged to UPD	651 132	1 511 740
SETA Claims	190 567	157 161
Interest paid	(58 113)	(311 550)
Bad debts recovered	9 189	31 420
Profit on Foreign Exchange	7 326 833	-
Profit on Nedbank Unit Trust Investment	-	222 627
Total income	628 534 894	537 384 058
Expenditure	(369 062 691)	(324 706 943)
Profit before taxation	259 472 203	212 677 115
Taxation	(73 289 352)	(61 450 517)
Profit after taxation	186 182 851	151 226 598

PHARMA DYNAMICS PROPRIETARY LIMITED

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 MARCH 2017

	2017 R	2016 R
Expenditure		
Advertising	9 718 102	9 383 619
Amortisation	1 737 795	1 859 186
Assets purchased and written off	29 551	99 942
Audit and accounting fees	1 293 456	858 864
Bad debts	66 811	57 677
Bank charges	245 313	238 461
Broker administration costs	257 543	227 984
Cellphones	957 550	1 115 894
Commissions	14 678 055	10 797 947
Computer expenses	2 582 103	1 837 172
Conferences and meetings	4 127 433	2 065 767
Consulting fees	1 086 140	844 202
Courier and postage	1 322 776	1 243 770
Depreciation	1 523 102	1 472 391
Direct selling	144 269 349	126 856 486
Directors fees	900 000	-
Discount and rebates allowed	79 509	33 771
Distribution	31 037 770	25 673 537
Donations	22 500	-
Electricity and water	150 471	59 891
Employee Stock Ownership Plan (ESOP)	2 772 316	-
Entertainment	213 490	160 837
FOREX risk management fee	90 243	-
Group life and disability	809 499	697 659
Human resources	362 619	222 499
Impairment	2 047 587	322 163
Insurance	1 498 031	1 259 614
Internet	2 891	1 341
Legal fees	107 974	(47 249)
Levies	1 147 567	1 035 104
Licences	57 397	47 998
Loss on disposal of fixed assets	78 782	21 425
Loss on foreign exchange	-	8 356 108
Motor vehicle expenses	4 128 705	3 705 678
Office renovation	52 982	-
Printing and stationery	647 359	659 297
Promotions	29 079 065	26 874 583
Rates	204 100	170 778
Recruitment fees	521 269	1 474 453
Refreshments	722 033	538 938
Relocation costs	3 090	981 814
Rent	3 669 911	4 603 320
Repairs and maintenance	392 429	346 650
Research and development	7 793 964	6 541 978
Salaries and wages	90 471 848	77 148 247
Samples	734 006	807 279
Social committee	198 690	173 209
Staff training	578 723	511 414
Staff welfare	167 796	163 389
Subscriptions	408 714	395 222
Telephone and fax	541 528	359 694
Trauma cover	251 192	210 734
Travel	3 221 562	2 236 206
Total operating expenses	369 062 691	324 706 943