

PHARMA DYNAMICS PROPRIETARY LIMITED

SUMMARY FINANCIAL STATEMENTS

AT

31 MARCH 2018

(This copy of the Summary Financial Statements is consistent in all respects with the Audited Annual Financial Statements which is dated 26 April 2018, except that the prescribed officers' remuneration disclosure has been excluded.)

The summary financial statements have been prepared under the supervision of P C Engelbrecht. 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**SUMMARY FINANCIAL STATEMENTS AT 31 MARCH 2018****DIRECTORS**

C F Roos
 T J Scott
 P S Anley (Resignation Date: 1 April 2017)

T R Voile*#
 S Makharia*#
 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 P C Engelbrecht.

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APPROVAL OF SUMMARY FINANCIAL STATEMENTS

The summary financial statements set out on pages 5 to 36 were approved by the board of directors on 26 April 2018 and are signed on its behalf by:


 C F ROOS


 T J SCOTT

**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 2018, 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 2018.

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

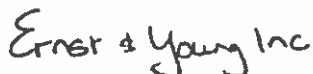
We expressed an unmodified audit opinion on the audited financial statements in our report dated 26 April 2018.

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.
Director: Leigh-Ann Caroline Killin
Cape Town
Registered Auditor
Chartered Accountant (SA)
26 April 2018

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 R	2017 R
Revenue	2	<u>1 068 142 868</u>	<u>1 018 972 836</u>
Turnover – sale of goods	2	1 045 991 022	1 011 532 152
Cost of sales		<u>(376 983 710)</u>	<u>(398 557 550)</u>
Gross profit		669 007 312	612 974 602
Other income		236 120	8 177 721
Operating costs		<u>(393 442 476)</u>	<u>(369 062 691)</u>
Profit from operations	3	275 800 956	252 089 632
Interest income	2	22 151 846	7 440 684
Interest paid		<u>(51 440)</u>	<u>(58 113)</u>
Profit before taxation		297 901 362	259 472 203
Taxation	4	<u>(85 033 057)</u>	<u>(73 289 352)</u>
Profit for the year		212 868 305	186 182 851
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>212 868 305</u>	<u>186 182 851</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

	Note	2018 R	2017 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	3 476 097	3 562 376
Intangible assets	6	30 683 349	40 085 248
Deferred tax	7	1 587 494	-
		<u>35 746 940</u>	<u>43 647 624</u>
Current assets			
Inventories	8	208 712 588	217 789 941
Trade and other receivables	9	196 216 952	178 375 997
Cash and cash equivalents	10	407 612 694	227 630 337
		<u>812 542 234</u>	<u>623 796 275</u>
Total assets		<u>848 289 174</u>	<u>667 443 899</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	11	100 000	100 000
Accumulated profits		710 180 090	497 311 785
		<u>710 280 090</u>	<u>497 411 785</u>
Non-current liabilities			
Finance lease	12	264 632	211 188
Deferred tax liability	7	-	25 746
		<u>264 632</u>	<u>236 934</u>
Current liabilities			
Tax payable		1 611 617	392 668
Trade and other payables	13	123 068 946	155 726 709
Current portion of finance lease	12	158 637	88 061
Provisions	14	12 905 252	13 587 742
		<u>137 744 452</u>	<u>169 795 180</u>
Total equity and liabilities		<u>848 289 174</u>	<u>667 443 899</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Ordinary share capital R	Accumulated profits R	Total R
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
Total comprehensive income for the year	-	212 868 305	212 868 305
Dividends	-	-	-
Balance at 31 March 2018	100 000	710 180 090	710 280 090

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 R	2017 R
Cash flows from operating activities			
Cash generated from operations	19.1	290 852 724	258 937 595
Movements in working capital	19.2	<u>(45 152 797)</u>	<u>(1 456 553)</u>
		245 699 927	257 481 042
Interest income		22 151 846	7 440 684
Interest paid		(51 440)	(58 113)
Taxation paid	19.3	<u>(85 427 348)</u>	<u>(71 885 456)</u>
Net cash inflow from operating activities		<u>182 372 985</u>	<u>192 978 157</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1 465 761)	(1 570 333)
Proceeds from disposal of property, plant and equipment		-	447 731
Purchase of intangible assets		<u>(818 541)</u>	<u>(4 436 853)</u>
Net cash outflow from investing activities		<u>(2 284 302)</u>	<u>(5 559 455)</u>
Cash flows from financing activities			
Finance lease repaid		<u>(106 326)</u>	<u>(221 300)</u>
Net cash outflow from financing activities		<u>(106 326)</u>	<u>(221 300)</u>
Net movement in cash and cash equivalents		179 982 357	187 197 402
Cash and cash equivalents at beginning of year		<u>227 630 337</u>	<u>40 432 935</u>
Cash and cash equivalents at end of year	19.4	<u>407 612 694</u>	<u>227 630 337</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018**

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 2018 (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	10 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.

The useful life of the intangibles assets was reviewed and a change in estimate from 20 years to 10 years was applied effective 1 April 2017. This has resulted in and will result in an acceleration of the amortisation of intangible assets in the current and future financial periods.

The amount of this change in the current period is R5 248 551.

PHARMA DYNAMICS PROPRIETARY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (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 2018 (Continued)****I 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 2018 (Continued)**

I 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 2018 (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 2018 (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 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.

1.15 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 2018 financial year end and have been adopted by the Company:

- IAS 7 Disclosure initiative – Amendments to IAS 7 (effective 1 January 2017)

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.

PHARMA DYNAMICS PROPRIETARY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****AT 31 MARCH 2018 (Continued)****1.16 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 2017 or later periods but which the Company has not early adopted, as detailed below:

- 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).
Analysis of the impact of IFRS 15 has been performed and assessed and concluded that this effect is immaterial.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

	2018 R	2017 R
2 REVENUE		
Revenue comprises the following:		
Turnover – sale of goods	1 045 991 022	1 011 532 152
Interest income	22 151 846	7 440 684
	<u>1 068 142 868</u>	<u>1 018 972 836</u>
3 PROFIT FROM OPERATIONS		
Profit from operations is stated after taking the following items into account:		
Expenses		
Amortisation of intangible assets	6 947 364	1 737 795
Impairment of intangible assets	3 273 076	2 047 587
Auditor's remuneration	1 430 754	1 293 456
- current year	1 130 404	1 112 456
- non audit services	300 350	181 000
Depreciation	1 466 550	1 523 102
Operating lease expense		
- premises	3 455 684	3 246 422
- equipment	376 945	423 489
Loss on disposal/scraping of property, plant and equipment	46 585	78 782
Employee costs		
Directors' emoluments		
- Executive	7 150 073	5 645 403
- Non-executive	-	1 661 012
- Salaries and wages	81 671 923	75 971 005
- Commissions	10 514 466	14 678 055
- Motor vehicle allowances	9 712 370	8 855 440
- Staff recruitment fees	565 196	521 269
- Staff training and welfare	1 060 101	690 610
Total employee costs	<u>110 674 129</u>	<u>108 022 794</u>
Income		
(Loss)/profit on foreign exchange	(4 495 054)	7 326 834

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

	2018 R	2017 R
4 TAXATION		
Current income tax charge	86 646 297	75 151 856
Current year	85 882 434	74 414 041
Prior year under provision	763 863	737 815
Deferred tax		
Relating to origination and reversal of temporary differences	(1 613 240)	(1 862 504)
	85 033 057	73 289 352
Tax rate reconciliation	%	%
Normal rate of taxation	28.00	28.00
Non-deductible expenses	0.29	-
Prior year under provision	0.26	0.25
Effective rate	28.55	28.25

PHARMA DYNAMICS PROPRIETARY LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 AT 31 MARCH 2018 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT

2018

	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Advertising equipment	Office equipment	Computer equipment	Computer software	Library	Total
	R	R	R	R	R	R	R	R	R	R
Beginning of year	1 084 279	956 698	697 399	3 387 794	12 933	405 714	2 298 664	662 907	9 333	9 515 721
- assets at cost	(774 715)	(567 552)	(315 070)	(2 235 501)	(12 933)	(313 213)	(1 235 224)	(489 804)	(9 333)	(5 953 345)
- accumulated depreciation	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
Carrying value	-	-	257 200	-	32 335	-	530 111	646 115	933	1 466 694
Current year movements	-	-	-	(1 094)	(8 999)	-	(62 197)	(13 200)	-	(85 490)
- additions	(103 152)	(141 660)	(146 819)	(229 992)	(995)	(20 496)	(583 633)	(240 736)	-	(1 467 483)
- disposals	206 412	247 486	492 710	921 207	22 341	72 005	947 721	565 282	993	3 476 097
- depreciation	346 531	708 303	954 599	3 004 012	23 336	330 322	2 218 048	790 361	9 333	8 384 845
Balance at end of year	(140 119)	(460 817)	(461 889)	(2 082 805)	(995)	(258 317)	(1 270 327)	(225 079)	(8 400)	(4 908 748)
Made up as follows:	206 412	247 486	492 710	921 207	22 341	72 005	947 721	565 282	933	3 476 097
- 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	139 919	-	321 783	279 590	-	46 153	512 035	270 853	-	1 570 333
- additions	-	-	(70 225)	-	-	-	(19 117)	(437 171)	-	(526 513)
- disposals	(146 341)	(140 304)	(102 717)	(368 699)	-	(25 259)	(665 427)	(74 355)	-	(1 523 102)
- depreciation	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
Balance at end of year	1 084 279	956 698	697 399	3 387 794	12 933	405 714	2 298 664	662 907	9 333	9 515 721
Made up as follows:	(774 715)	(567 552)	(315 070)	(2 235 501)	(12 933)	(313 213)	(1 235 224)	(489 804)	(9 333)	(5 953 345)
- assets at cost	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Carrying value	-	-	-	-	-	-	-	-	-	-

2017

	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Advertising equipment	Office equipment	Computer equipment	Computer software	Library	Total
	R	R	R	R	R	R	R	R	R	R
Beginning of year	944 359	956 700	586 290	3 108 756	12 933	359 561	3 322 498	1 655 452	9 333	10 955 882
- assets at cost	(628 373)	(427 250)	(352 802)	(1 867 354)	(12 933)	(287 954)	(2 086 549)	(1 241 676)	(9 333)	(6 914 224)
- accumulated depreciation	315 986	529 450	233 488	1 241 402	-	71 607	1 235 949	413 776	-	4 041 658
Carrying value	139 919	-	321 783	279 590	-	46 153	512 035	270 853	-	1 570 333
Current year movements	-	-	(70 225)	-	-	-	(19 117)	(437 171)	-	(526 513)
- additions	(146 341)	(140 304)	(102 717)	(368 699)	-	(25 259)	(665 427)	(74 355)	-	(1 523 102)
- disposals	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
Balance at end of year	1 084 279	956 698	697 399	3 387 794	12 933	405 714	2 298 664	662 907	9 333	9 515 721
Made up as follows:	(774 715)	(567 552)	(315 070)	(2 235 501)	(12 933)	(313 213)	(1 235 224)	(489 804)	(9 333)	(5 953 345)
- assets at cost	309 564	389 146	382 329	1 152 293	-	92 501	1 063 440	173 103	-	3 562 376
- accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Carrying value	-	-	-	-	-	-	-	-	-	-

Fully depreciated assets still in use have a cost of R1 944 248 (2017: R2 910 978).

Included in motor vehicles above are assets under finance lease with cost R578 983 (2017: R529 809), net book value of R420 477 (2017: R382 329) and accumulated depreciation of R158 506. (2017: R147 480).

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

6 INTANGIBLE ASSETS	2018			2017		
	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	49 229 250	(18 545 901)	30 683 349	52 282 819	(12 197 571)	40 085 248
	49 809 280	(19 125 931)	30 683 349	52 862 849	(12 777 601)	40 085 248

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
2018					
Purchased dossiers / Licence agreements	40 085 248	818 541	(3 273 076)	(6 947 364)	30 683 349
	40 085 248	818 541	(3 273 076)	(6 947 364)	30 683 349
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

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

7 DEFERRED TAX

	Statement of financial position		Statement of comprehensive income	
	2018 R	2017 R	2018 R	2017 R
Analysis of deferred tax				
Deferred tax assets/(liabilities)				
Property, plant and equipment	(137 958)	(107 052)	(30 906)	(41 676)
Trademarks	24 361	32 482	(8 121)	(8 120)
Provision for obsolete stock	673 299	410 954	262 345	342 389
Provision for doubtful debts	303	5 434	(5 131)	(5 402)
Intangibles	(2 167 747)	(3 723 253)	1 555 506	(307 104)
Provision for sales return	470 786	370 905	99 881	370 905
Employee Stock Ownership Plan (ESOP)	19 429	-	19 429	-
Prepaid expenses	(1 034 043)	(844 650)	(189 393)	74 653
Provisions	3 209 657	3 325 719	(116 062)	1 517 192
Lease liability	118 515	83 790	34 725	27 829
Deferred rent	410 892	419 925	(9 033)	(9 816)
Intercompany unrealised forex	-	-	-	(98 346)
	<u>1 587 494</u>	<u>(25 746)</u>	<u>1 613 240</u>	<u>1 862 504</u>

8 INVENTORIES

The amounts attributable to the different categories are as follows:

	2018 R	2017 R
Raw materials	1 632 102	1 764 527
Work in progress	12 192 761	5 949 967
Finished goods	<u>194 896 725</u>	<u>210 075 447</u>
	<u>208 712 588</u>	<u>217 789 941</u>

The amount of write-downs of inventory recognised as an expense is R3 709 938 (2016: R7 388 135) which is recognised in cost of sales. At year end, the provision for obsolete stock amounts to R2 404 641 (2016: R1 467 699). Inventory is written off due to the goods being damaged or expired.

	2018 R	2017 R
9 TRADE AND OTHER RECEIVABLES		
Interest receivable	7 972 083	3 283 204
Trade receivables	184 077 058	171 418 244
Deposits	476 245	457 745
Prepayments	3 693 010	3 242 678
Provision for doubtful debts	<u>(1 444)</u>	<u>(25 874)</u>
	<u>196 216 952</u>	<u>178 375 997</u>
Reconciliation of provision for doubtful debts:		
Balance at 1 April	(25 874)	(51 599)
Provision raised during the year	(1 444)	(25 874)
Provision utilised during year	<u>25 874</u>	<u>51 599</u>
Balance at 31 March	<u>(1 444)</u>	<u>(25 874)</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

	2018 R	2017 R
10 CASH AND CASH EQUIVALENTS		
Bank and cash	6 662 266	83 942 942
Short term deposits	<u>400 950 428</u>	<u>143 687 395</u>
Cash and cash equivalents	<u>407 612 694</u>	<u>227 630 337</u>

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.

11 SHARE CAPITAL

Authorised 100 000 ordinary shares of R1 each	<u>100 000</u>	<u>100 000</u>
Issued 100 000 ordinary share of R1 each	<u>100 000</u>	<u>100 000</u>
Reconciliation of number of shares in issue		
Issued shares at 1 April	100 000	100 000
Shares issued	<u>-</u>	<u>-</u>
Issued shares at 31 March	<u>100 000</u>	<u>100 000</u>

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:

	2018		2017	
	Minimum payments R	Present value of payments R	Minimum payments R	Present value of payments R
Within one year	176 943	158 637	101 150	88 061
After one year but not more than five years	<u>276 791</u>	<u>264 632</u>	<u>223 526</u>	<u>211 188</u>
Total minimum lease payments	453 734	423 269	324 676	299 249
Less amounts representing finance charges	<u>(30 465)</u>	<u>-</u>	<u>(25 426)</u>	<u>-</u>
Present value of minimum lease payments	<u>423 269</u>	<u>423 269</u>	<u>299 250</u>	<u>299 249</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

	2018 R	2017 R
13 TRADE AND OTHER PAYABLES		
Trade payables*	67 276 779	67 295 477
Other payables	7 597 782	6 380 392
Accruals	38 892 617	71 505 672
Dossier purchases	-	530 712
VAT	9 301 768	10 014 456
	<u>123 068 946</u>	<u>155 726 709</u>

*Included in trade payables is amounts owing to related parties. Refer to note 15 for details.

14 PROVISIONS		
Opening balance	13 587 742	9 708 433
Utilised	(7 134 975)	(3 252 036)
Additions	6 452 485	7 131 345
	<u>12 905 252</u>	<u>13 587 742</u>

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 2016 financial year. This appeal was heard in the prior year and was 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 R6.4 million (2017: R6.4 million)

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

15 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 –T. J. Scott

2018	Rental paid R	Inventory purchased R	Equity-Settled Employee Share Scheme (ESOP) R	IT expenses R	Amount owing to related party R
Lupin Ltd	-	28 230 847	1 794 548	171 321	11 324 551
Pharma Disease Management Solutions (Pty) Ltd	3 238 950	-	-	-	-
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

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

16 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
2018				
Trade and other receivables	9	192 523 942	3 693 010	196 216 952
Cash and cash equivalents	10	407 612 694	-	407 612 694
Total		600 136 636	3 693 010	603 829 646
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

Liabilities	Note	At amortised cost R	Non-financial liabilities R	Total R
2018				
Trade and other payables	13	88 663 429	34 405 517	123 068 946
Finance lease	12	423 269	-	423 269
Total		89 086 698	34 405 517	123 492 215
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

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.1 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

	2018	2017
	R	R
Trade receivables	192 523 942	175 133 319
Short term deposits	400 950 428	143 687 395
Bank and cash	<u>6 662 266</u>	<u>83 942 942</u>
	<u>600 136 636</u>	<u>402 763 656</u>

The concentration of cash and cash equivalents with the major banks are as follows:

	2018	2017
	%	%
Investec	88%	39%
Standard Bank	12%	61%

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.

	Carrying amount R	Neither past due nor impaired		Past due but not impaired		
		Current R	30 to 60 days R	60 to 90 days R	90 to 120 days R	More than 121 days R
2018						
Trade receivables	184 077 058	142 419 759	36 089 064	4 415 966	740 414	411 855
Other receivables	8 446 884	8 446 884	-	-	-	-
	<u>192 523 942</u>	<u>150 866 643</u>	<u>36 089 064</u>	<u>4 415 966</u>	<u>740 414</u>	<u>411 855</u>

	Carrying amount R	Neither past due nor impaired		Past due but not impaired		
		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	-	-	-	-
	<u>175 133 319</u>	<u>130 424 119</u>	<u>42 061 082</u>	<u>2 479 935</u>	<u>68 221</u>	<u>99 962</u>

16.2 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 2018 (CONTINUED)

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.2 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
2018								
Non-interest bearing liabilities		27 948 956	32 015 696	28 698 777	-	-	-	88 663 429
- trade payables	-							
Interest bearing liabilities	5.19		14 744	43 235	117 962	176 946	100 847	453 734
- finance lease								
		27 948 956	32 030 440	28 742 012	117 962	176 946	100 847	89 117 163
2017								
Non-interest bearing liabilities		22 600 956	28 732 385	60 237 806	-	-	-	111 571 147
- trade payables								
Interest bearing liabilities	9.92	-	11 278	20 611	84 930	89 053	93 377	299 249
- finance lease								
		22 600 956	28 743 663	60 258 417	84 930	89 053	93 377	111 870 396

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.2 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:

	2018 R	2017 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	2 500 000
Letter of credit	5 000 000	5 000 000
	<u>26 620 000</u>	<u>26 620 000</u>

Unutilised borrowing facility:

Credit card	437 793	417 662
Foreign exchange contracts	18 000 000	18 000 000
Fleet management	81 936	67 754
Vehicle and asset finance	2 076 731	675 209
Letter of credit	5 000 000	5 000 000
	<u>25 596 460</u>	<u>24 160 625</u>

16.3 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.

16.3.1 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 2018 amounting to: EUR 159 842, GBP 35 212 and USD 1 470 351. These amounts total R20 088 678 and are 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 2018 (CONTINUED)**

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.3.1 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
2018		
Euro	15%	345 801
Pound Sterling	15%	87 035
US Dollar	15%	2 580 466
	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

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 2018.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

16.3.2 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% (2017: 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
2018	+100	4 071 894
	-100	(4 071 894)
2017	+100	2 273 311
	-100	(2 273 311)

16.4 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.

16.5 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 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 2017.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)**

17 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:

	2018	2017
	R	R
Within one year	5 133 050	4 000 417
After one year but not more than five years	11 330 995	9 747 406
Total	16 464 045	13 747 823

18 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 R14 985 786 (2017: R16 588 848) are amounts owing in foreign currencies of USD 105 000, EUR 873 893 and GBP 70 000 (2017: USD 187 500, EUR 933 178 and GBP 70 000). 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 R14 985 786 (2017: R16 588 848) will be payable over the following financial years:

	2018	2017
	R	R
2018	-	6 872 107
2019	3 332 266	3 619 403
2020	5 097 793	3 686 543
2021	1 849 569	1 479 887
2022	2 687 239	930 908
2023	1 081 450	-
2024	937 469	-
	14 985 786	16 588 848

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

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

	2018 R	2017 R
19 NOTES TO THE STATEMENT OF CASH FLOWS		
19.1 Cash generated from operations		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	297 901 362	259 472 203
Adjusted for:		
Depreciation	1 466 550	1 523 102
Disposal of fixed assets	46 585	78 782
Interest income	(22 151 846)	(7 440 684)
Interest paid	51 440	58 113
Discounts and rebates allowed	174 713	79 509
Bad debts	21 494	66 811
Movement in provision	(682 490)	3 879 309
Impairment of intangible assets	3 273 076	2 047 587
Amortisation	6 947 364	1 737 795
Write down of inventory	3 709 938	-
Unrealised profit/(loss) on foreign currency	94 538	(2 564 932)
Operating profit before working capital changes	<u>290 852 724</u>	<u>258 937 595</u>
19.2 Movement in working capital changes		
Decrease in inventory	5 367 415	2 794 670
Increase in trade and other receivables	(17 862 449)	(19 091 016)
(Decrease)/Increase in trade and other payables	<u>(32 657 763)</u>	<u>14 839 793</u>
	<u>(45 152 797)</u>	<u>(1 456 553)</u>
19.3 Reconciliation of taxation paid during year		
Normal tax		
Balance at beginning of the year	(392 668)	2 873 732
Current tax recognised in the statement of comprehensive income	(86 646 297)	(75 151 856)
Balance at end of the year	<u>1 611 617</u>	<u>392 668</u>
Total tax paid	<u>(85 427 348)</u>	<u>(71 885 456)</u>
19.4 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	<u>407 612 694</u>	<u>227 630 337</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2018 (CONTINUED)

20 DIRECTORS' EMOLUMENTS

	Executive Director Cornelius Frederik Roos		Executive Director Thomas Scott		*Non-Executive Director Paul Anley		Total	
	2018 R	2017 R	2018 R	2017 R	2018 R	2017 R	2018 R	2017 R
Normal payroll								
Cash salary	2 768 690	2 604 893	1 453 049	1 369 415	-	900 000	4 221 739	4 874 308
Medical aid	76 031	56 628	68 866	55 808	-	-	144 897	112 436
Provident fund	453 505	418 889	238 006	220 376	-	-	691 511	639 265
Retirement annuity contribution	-	-	-	-	-	-	-	-
Trauma	-	12 237	-	6 438	-	-	-	18 675
Bonuses and performance payments	1 356 614	196 200	301 020	231 016	-	761 012	1 657 634	1 188 228
Other allowances	-	92 302	-	21 201	-	-	-	113 503
Car allowances	266 797	240 000	167 495	120 000	-	-	434 292	360 000
	<u>4 921 637</u>	<u>3 621 149</u>	<u>2 228 436</u>	<u>2 024 254</u>	<u>-</u>	<u>1 661 012</u>	<u>7 150 073</u>	<u>7 306 415</u>

*Paul Anley resigned effective 1 April 2017

PHARMA DYNAMICS PROPRIETARY LIMITED

**DETAILED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	2018 R	2017 R
Gross Revenue		
Sales	1 045 991 022	1 011 532 152
Cost of sales	<u>(376 983 710)</u>	<u>(398 557 550)</u>
Gross profit	669 007 312	612 974 602
Other income and interest	22 336 526	15 560 292
Interest received	22 151 846	7 440 684
Income - Stock losses charged to UPD	6 773	651 132
SETA Claims	203 473	190 567
Interest paid	(51 440)	(58 113)
Bad debts recovered	25 874	9 189
Profit on Foreign Exchange	-	7 326 833
	-	-
Total income	<u>691 343 838</u>	<u>628 534 894</u>
Expenditure	<u>(393 442 476)</u>	<u>(369 062 691)</u>
Profit before taxation	297 901 362	259 472 203
Taxation	<u>(85 033 057)</u>	<u>(73 289 352)</u>
Profit after taxation	<u>212 868 305</u>	<u>186 182 851</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

UNAUDITED SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 MARCH 2018

	2018 R	2017 R
Expenditure		
Advertising	7 812 561	9 718 102
Amortisation	6 947 364	1 737 795
Assets purchased and written off	-	29 551
Audit and accounting fees	1 430 754	1 293 456
Bad debts	21 494	66 811
Bank charges	249 914	245 313
BEE charges	41 229	-
Broker administration costs	286 732	257 543
Cellphones	1 004 876	957 550
Commissions	10 514 466	14 678 055
Computer expenses	2 328 869	2 582 103
Conferences and meetings	2 620 932	4 127 433
Consulting fees	4 901 427	1 086 140
Courier and postage	1 160 024	1 322 776
Depreciation	1 466 550	1 523 102
Direct selling	148 395 012	144 269 349
Directors fees	-	900 000
Discount and rebates allowed	174 713	79 509
Distribution	32 155 378	31 037 770
Donations	50 000	22 500
Electricity and water	158 068	150 471
Employee Stock Ownership Plan (ESOP)	1 794 548	2 772 316
Entertainment	135 644	213 490
FOREX risk management fee	32 850	90 243
Group life and disability	821 069	809 499
Human resources	629 881	362 619
Impairment	3 273 076	2 047 587
Insurance	1 691 728	1 498 031
Internet	1 990	2 891
Legal fees	151 066	107 974
Levies	1 290 633	1 147 567
Licences	64 567	57 397
Loss on disposal of fixed assets	46 585	78 782
Motor vehicle expenses	4 440 330	4 128 705
Loss on foreign exchange	4 495 054	-
Office renovation	8 945	52 982
Printing and stationery	590 040	647 359
Promotions	36 192 000	29 079 065
Rates	235 444	204 100
Recruitment fees	565 196	521 269
Refreshments	482 874	722 033
Relocation costs	33 457	3 090
Rent	3 832 628	3 669 911
Repairs and maintenance	236 606	392 429
Research and development	1 261 965	7 793 964
Salaries and wages	98 534 366	90 471 848
Samples	475 481	734 006
Social committee	207 718	198 690
Staff training	940 079	578 723
Staff welfare	79 508	167 796
Subscriptions	389 973	408 714
Telephone and fax	871 871	541 528
Trade Mark and Patent	182 967	-
Trauma cover	353 082	251 192
Travel	2 945 763	3 221 562
Quality Assurance	4 433 129	-
Total operating expenses	393 442 476	369 062 691