

PHARMA DYNAMICS PROPRIETARY LIMITED

AUDITED ANNUAL FINANCIAL STATEMENTS

AT

31 MARCH 2019

(This copy of the Summary Financial Statements is consistent in all respects with the Audited Annual Financial Statements which is dated 2 May 2019, 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
ANNUAL FINANCIAL STATEMENTS AT 31 MARCH 2019

DIRECTORS

C F Roos
T J Scott

T R Volle*#
S Makharia*#
S Muntaz*#
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 ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 44 were approved by the board of directors on 2 May 2019 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 Financial Statements

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 21 March 2019, 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 2019.

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 2 May 2019.

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)
2 May 2019

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 R	2018 R
Revenue	2	<u>1 200 924 292</u>	<u>1 068 142 868</u>
Revenue from contracts with customers	2	1 160 042 690	1 045 991 022
Cost of sales		<u>(440 509 163)</u>	<u>(376 983 710)</u>
Gross profit		719 533 527	669 007 312
Other income		5 418 900	236 120
Operating costs		<u>(430 128 630)</u>	<u>(393 442 476)</u>
Profit from operations	3	294 823 797	275 800 956
Interest income	2	40 881 602	22 151 846
Interest expense		<u>(79 923)</u>	<u>(51 440)</u>
Profit before taxation		335 625 476	297 901 362
Taxation	4	<u>(91 056 503)</u>	<u>(85 033 057)</u>
Profit for the year		244 568 973	212 868 305
Other comprehensive income		-	-
Total comprehensive income for the year		<u>244 568 973</u>	<u>212 868 305</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019

	Note	2019 R	2018 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	5 473 470	3 476 097
Intangible assets	6	29 799 124	30 683 349
Investments	7	8 500 000	-
Deferred tax	8	1 478 747	1 587 494
		<u>45 251 341</u>	<u>35 746 940</u>
Current assets			
Inventories	9	164 874 389	208 712 588
Trade and other receivables	10	234 873 223	196 216 952
Tax receivable		4 061 548	-
Cash and cash equivalents	11	629 011 747	407 612 694
Derivative financial instruments	16	31 788	-
		<u>1 032 852 695</u>	<u>812 542 234</u>
Total assets		<u>1 078 104 036</u>	<u>848 289 174</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	12	100 000	100 000
Accumulated profits		904 749 063	710 180 090
		<u>904 849 063</u>	<u>710 280 090</u>
Non-current liabilities			
Finance lease	13	98 266	264 632
		<u>98 266</u>	<u>264 632</u>
Current liabilities			
Dividend withholding tax payable		2 500 000	-
Tax payable		-	1 611 617
Trade and other payables	14	161 212 944	123 068 946
Current portion of finance lease	13	166 894	158 637
Provisions	15	9 276 869	12 905 252
		<u>173 156 707</u>	<u>137 744 452</u>
Total equity and liabilities		<u>1 078 104 036</u>	<u>848 289 174</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Ordinary share capital R	Accumulated profits R	Total R
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
Total comprehensive income for the year	-	244 568 973	244 568 973
Dividends	-	(50 000 000)	(50 000 000)
Balance at 31 March 2019	100 000	904 749 063	904 849 063

PHARMA DYNAMICS PROPRIETARY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 R	2018 R
Cash flows from operating activities			
Cash generated from operations	21.1	324 039 362	290 852 724
Movements in working capital	21.2	<u>21 300 149</u>	<u>(45 152 797)</u>
		345 339 511	245 699 927
Interest Income		34 501 818	22 151 846
Interest Paid		(79 923)	(51 440)
Taxation Paid	21.3	<u>(96 620 921)</u>	<u>(85 427 348)</u>
Net cash inflow from operating activities		<u>188 140 485</u>	<u>182 372 985</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(3 948 440)	(1 465 761)
Purchase of intangible assets		(3 615 159)	(818 541)
Proceeds on sale of intangible asset		2 000 000	-
Unlisted Equity Investment		<u>(8 500 000)</u>	<u>-</u>
Net cash outflow from investing activities		<u>(14 063 599)</u>	<u>(2 284 302)</u>
Cash flows from financing activities			
Finance lease repaid		(177 833)	(106 326)
Dividends Paid		<u>(47 500 000)</u>	<u>-</u>
Net cash outflow from financing activities		<u>(47 677 833)</u>	<u>(106 326)</u>
Net movement in cash and cash equivalents		221 399 053	179 982 357
Cash and cash equivalents at beginning of year		<u>407 612 694</u>	<u>227 630 337</u>
Cash and cash equivalents at end of year	21.4	<u>629 011 747</u>	<u>407 612 694</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019**

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 its interpretations as adopted by the International Accounting Standards Board (IASB) and the requirements of the Companies Act of South Africa.

Basis of preparation

The annual financial statements are prepared on the historical cost basis, except where stated otherwise in the accounting policies below.

The accounting policies below have been applied consistently to all periods presented in the annual financial statements, except where the Company has adopted IFRS and IFRIC interpretations and amendments that became effective during the period. The Company applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time in the annual reporting period commencing 1 April 2018. The impact of the adoption of these standards has been disclosed in note 1.16.

1.2 Revenue recognition

Accounting policy applicable to reporting periods prior to 1 April 2018:

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.

Accounting policy applicable on and after 1 April 2018:

Performance obligations and timing of revenue recognition

The Company's revenue is derived from the sale of pharmaceuticals to wholesalers and to direct customers. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer that reflects the consideration which the Company expects to be entitled in exchange for those goods. Revenue is recognised at a point in time when control of the goods has transferred to the customer.

The point at which control passes depends on the terms and conditions of the contract and is effective either once physical delivery or receipt of the products at the agreed location has occurred.

Determining the transaction price

The majority of the Company's revenue is derived from contracts which define a fixed price per unit sold. In certain contracts the consideration includes a variable element in the form of volume rebates and discounts, clawbacks and returns.

PHARMA DYNAMICS PROPRIETARY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)****1 ACCOUNTING POLICIES (Continued)****1.2 Revenue recognition (continued)**

The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Historical experience enables the company to estimate reliably the value of discount to be granted, rebates to be paid or clawbacks and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue when goods are returned.

Certain contracts provide a customer with a right to return the goods within a specified period.

The Company uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Company will be entitled.

The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Company recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer

Assets and liabilities arising from rights of return*Right of return assets*

Right of return asset represents the Company's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Company updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Company ultimately expects it will have to return to the customer.

The Company updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Practical expedients applied

The Company's contracts with customers are short term in nature (less than 12 months).

Using the practical expedient in IFRS 15, the Company does not adjust the promised amount of the consideration for the effects of a significant financing component if it expects at contract inception that the period between the transfer of the promised goods to the customer and when the customer pays for the goods will be one year or less.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)

1 ACCOUNTING POLICIES (Continued)

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, and adjusted prospectively, if appropriate.

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%
Leaschold improvements	20.00%

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.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

I ACCOUNTING POLICIES (Continued)

1.4 Intangible assets (Continued)

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.

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.

An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets

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.

PHARMA DYNAMICS PROPRIETARY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)****1 ACCOUNTING POLICIES (Continued)****1.5 Impairment of non-financial assets (Continued)**

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.

1.8 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.

1.9 Borrowing costs

Borrowing costs are recognised as an expense when incurred.

PHARMA DYNAMICS PROPRIETARY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)****1 ACCOUNTING POLICIES (Continued)****1.10 Financial Instruments - initial recognition and subsequent measurement***Accounting policy applicable to reporting periods prior to 1 April 2018:*

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 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.10 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.

Accounting policy applicable to reporting periods on and after 1 April 2018:

Financial Instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 1.2 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)

1 ACCOUNTING POLICIES (Continued)

1.10 Financial instruments (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The company's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and investments.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.10 Financial instruments (Continued)

Impairment of Financial Assets

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

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. ECL has been measured on a collective basis as the various customers segments have similar loss patterns.

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

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Trade and other payables

After initial recognition, trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.10 Financial instruments (Continued)

Derecognition

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

iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.11 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.

1.12 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 item

1.13 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.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.13 Taxes (Continued)

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.

1.14 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 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. Management takes into account factors such as the condition of the asset, manner of recovery and relevant market information when making this assessment.

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. Management takes into account factors such as the condition of the asset, manner of recovery and relevant market information when making this assessment.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.15 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.

Impairment of Intangibles

Impairment exists when the carrying value of the intangible asset exceeds its recoverable amount, which is the higher of its fair value and its value in use. Value in use is calculated by way of a net present value calculation taking into account current gross margins, medium term budgeted sales based on market data and discount rates. In addition, impairments may be considered as a result of delays in final registration at the South African Health Products Regulatory Authority (SAHPRA).

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 net of returns and records a separate liability for expected returns as provisions. The company estimates the amount of returns based on historical data for specific products.

Expected credit loss (ECL)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast to economic conditions may also not be representative of customer's actual default in the future.

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

The company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

**1.16 Standards, interpretations and amendments to published standards that are effective
(Continued)**

The company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations. No adjustment to the opening balance of equity was required as the impact was not considered material. The application of this standard in the current financial reporting period has been assessed and, apart from additional disclosure, there was no significant impact on the company's reported results, financial position and cash flows.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 with an initial application date of 1 April 2018. The Company applied the standard retrospectively but has elected not to restate comparative information, which continues to be reported under IAS 39.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal interest' on the principal amount outstanding.

The assessment of the company's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the company. The company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the company's financial assets:

- Trade receivables classified as Loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 April 2018.

There are no changes in classification and measurement for the company's financial liabilities.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking ECL approach.

IFRS 9 requires the company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

No material differences have been identified between the impairment allowances determined in accordance with IAS 39 and the loss allowances determined in accordance with IFRS 9 for the current period.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (Continued)**

1 ACCOUNTING POLICIES (Continued)

1.17 Standards issued but not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 using the modified retrospective approach. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

During 2018, the Company has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the Statement of financial position (increase/ (decrease)) on the 1 April 2019 (Initial application) and as at 31 March 2020 is as follows:

	2019	2020
	R	R
Assets	13 689 531	7 689 219
Liabilities	11 051 695	6 956 875
Equity	2 637 836	732 344

Impact on the statement of profit or loss (increase/(decrease)) for 2020:

The impact on the Company's statement of profit or loss for 2020 has been assessed as immaterial.

There are a number of new standards, amendments to standards and interpretations that have been issued but are not yet effective, however are not expected to have any impact on the Company's financial statements.

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

2	REVENUE	2019 R	2018 R
	Revenue comprises the following:		
	Revenue from contracts with customers	1 160 042 690	1 045 991 022
	Interest Income	<u>40 881 602</u>	<u>22 151 846</u>
		<u>1 200 924 292</u>	<u>1 068 142 868</u>

Revenue from contracts with customers is made up as follows:

Gross Sales	1 175 982 233	1 061 269 828
Sales returns, volume discounts and clawbacks	<u>(15 939 543)</u>	<u>(15 278 806)</u>
	<u>1 160 042 690</u>	<u>1 045 991 022</u>

2.1 Disaggregated Revenue Information

Set out below is the disaggregation of the company's revenue from contracts with customers

	2019 R	2018 R
Type of customers		
Wholesalers	933 898 251	838 785 163
Direct customers	<u>226 144 439</u>	<u>207 205 859</u>
	<u>1 160 042 690</u>	<u>1 045 991 022</u>

Revenue from direct customers is derived from the sale of goods to pharmacies, hospitals, government enterprises and other local and foreign customers.

Type of goods

Cardiovascular	586 369 941	540 897 910
Over-the-counter	238 807 754	194 680 244
Central nervous system	199 100 731	178 692 837
Intravenous therapy	90 091 736	94 199 334
Family healthcare	40 402 873	32 734 199
Anti-Tuberculosis	<u>5 269 656</u>	<u>4 786 498</u>
Total revenue from contracts with customers	<u>1 160 042 690</u>	<u>1 045 991 022</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2019 (CONTINUED)

	2019 R	2018 R
2.2 Contract Balances		
Trade Receivables (Note 10)	212 680 523	184 077 058
Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.		

2.3 Performance Obligations

Information about the company's performance information is summarised below:

Sales of goods to customers

The performance obligations are either satisfied upon delivery of the goods to the customers or once the invoice is raised depending on the terms and conditions of the contract or invoice. Payment is generally due within 30 to 90 days from delivery. Sales to wholesalers are made at the SEP (single exit price), to government at tender price and exports are sold at contract price. Some contracts provide customers with a right of return, volume discounts and clawbacks which results in contract liabilities i.e. deferred revenue (in the case of returns) and variable consideration in respect of volume discounts and clawbacks.

3 PROFIT FROM OPERATIONS

	2019 R	2018 R
Profit from operations is stated after taking the following items into account:		
Expenses		
Amortisation of intangible assets	4 499 384	6 947 364
Impairment of intangible assets	-	3 273 076
Auditor's remuneration	1 695 218	1 430 754
- Current year	1 277 518	1 130 404
- Non audit services	417 700	300 350
Depreciation	1 672 088	1 466 550
Operating lease expense		
- Premises	5 148 205	3 455 684
- Equipment	376 631	376 945
Loss on disposal of property, plant and equipment	278 979	46 585
Direct Selling	157 282 861	148 395 012
Distribution	35 201 564	32 155 378
Promotion	31 611 241	36 192 000
Loss on foreign exchange	4 037 416	4 495 054
Directors' emoluments		
- Executive	8 027 482	7 150 073
- Salaries and wages	95 654 597	81 671 923
- Commissions	10 707 173	10 514 466
- Motor vehicle allowances	10 394 615	9 712 370
- Staff recruitment fees	822 420	565 196
- Staff training and welfare	1 212 200	1 060 101
- Employee Stock Ownership Plan (ESOP)	1 695 609	1 794 548
Total employee costs	<u>128 514 096</u>	<u>112 468 677</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2019 (CONTINUED)

3 PROFIT FROM OPERATIONS (CONTINUED)

	2019 R	2018 R
Income		
Dossier Sale	2 000 000	-
Management Fee	595 530	-
Litigation (refer to note 15 for additional information)	2 068 475	-

4 TAXATION

	2019 R	2018 R
Current income tax charge	90 947 756	86 646 297
Current year	90 962 557	85 882 434
Prior year (over)/under provision	(14 801)	763 863
Deferred tax		
Relating to origination and reversal of temporary differences	108 747	(1 613 240)
	<u>91 056 503</u>	<u>85 033 057</u>
Tax rate reconciliation	%	%
Normal rate of taxation	28.00	28.00
Non-deductible expenses	2.44	0.29
Allowances not claimed through comprehensive income	(3.31)	-
Prior year under provision	-	0.26
Effective rate	<u>27.13</u>	<u>28.55</u>

PHARMA DYNAMICS PROPRIETARY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

5 PROPERTY, PLANT AND EQUIPMENT

2019

	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Advertising equipment	Office equipment	Computer equipment	Computer software	Computer software under construction	Library	Total
	R	R	R	R	R	R	R	R	R	R	R
Beginning of year	346 531	708 303	954 599	3 004 012	23 336	330 322	2 218 048	790 361	-	9 333	8 384 845
- assets at cost	(140 119)	(460 817)	(461 889)	(2 082 805)	(995)	(258 317)	(1 270 327)	(225 079)	-	(8 400)	(4 908 748)
- accumulated depreciation	206 412	247 486	492 710	921 207	22 341	72 005	947 721	565 282	-	933	3 476 097
Carrying value	413 086	-	-	290 002	-	107 319	1 619 223	1 191 723	327 018	-	3 948 440
Current year movements	(20 682)	(127 715)	(13 966)	(86 623)	-	(27 367)	-	(2 626)	-	-	(278 979)
- additions	(149 503)	(119 771)	(183 518)	(261 188)	(4 667)	(35 047)	(469 587)	(447 814)	-	(993)	(1 672 088)
- disposals	449 313	-	295 226	863 398	17 674	116 910	2 097 357	1 306 565	327 018	-	5 473 470
- depreciation	722 195	-	787 009	2 327 007	23 336	205 416	3 368 599	1 832 585	327 018	9 333	9 602 497
Balance at end of year	(272 882)	-	(491 783)	(1 463 608)	(5 662)	(88 506)	(1 271 232)	(526 021)	-	(9 333)	(4 129 027)
Made up as follows:	449 313	-	295 226	863 399	17 674	116 910	2 097 367	1 306 564	327 018	-	5 473 470
- assets at cost											
- accumulated depreciation											
Carrying value											

2018

	Leasehold improvements	Plant and equipment	Motor vehicles	Furniture and fittings	Advertising equipment	Office equipment	Computer equipment	Computer software	Computer software under construction	Library	Total
	R	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	(103 152)	(141 660)	(146 819)	(229 992)	(995)	(20 496)	(583 633)	(240 736)	-	-	(85 490)
- additions	206 412	247 486	492 710	921 207	22 341	72 005	947 721	565 282	-	993	3 476 097
- disposals	346 531	708 303	954 599	3 004 012	23 336	330 322	2 218 048	790 361	-	9 333	8 384 845
- depreciation	(140 119)	(460 817)	(461 889)	(2 082 805)	(995)	(258 317)	(1 270 327)	(225 079)	-	(8 400)	(4 908 748)
Balance at end of year	206 412	247 486	492 710	921 207	22 341	72 005	947 721	565 282	-	933	3 476 097
Made up as follows:											
- assets at cost											
- accumulated depreciation											
Carrying value											

Included in motor vehicles above are assets under finance lease with cost R578 983 (2017: R578 983), net book value of R281 357 (2018: R420 477) and accumulated depreciation of R297 624 (2018: R158 506).

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

6 INTANGIBLE ASSETS

	2019			2018		
	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	51 446 909	(21 647 785)	29 799 124	49 229 250	(18 545 901)	30 683 349
	52 026 939	(22 227 815)	29 799 124	49 809 280	(19 125 931)	30 683 349

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
2019					
Purchased dossiers / Licence agreements	30 683 349	3 615 159	-	(4 499 384)	29 799 124
	30 683 349	3 615 159	-	(4 499 384)	29 799 124
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

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

7	INVESTMENTS			2019 R	2018 R
	Unlisted Equity Investment			8 500 000	-
8	DEFERRED TAX				
		Statement of financial position		Statement of comprehensive income	
		2019 R	2018 R	2019 R	2018 R
	Analysis of deferred tax				
	Deferred tax assets/(liabilities)				
	Property, plant and equipment	(82 663)	(137 958)	55 295	(30 906)
	Trademarks	16 241	24 361	(8 120)	(8 121)
	Provision for obsolete stock	707 735	673 299	34 436	262 345
	Provision for doubtful debts	73 649	303	73 346	(5 131)
	Intangibles	(1 733 588)	(2 167 747)	434 160	1 555 506
	Provision for sales return	500 058	470 786	29 272	99 881
	Employee Stock Ownership Plan (ESOP)	28 108	19 429	8 679	19 429
	Prepaid expenses	(2 156 178)	(1 034 043)	(1 122 135)	(189 393)
	Provisions	3 693 254	3 209 657	483 597	(116 062)
	Lease liability	74 245	118 515	(44 271)	34 725
	Deferred rent	357 886	410 892	(53 006)	(9 033)
		<u>1 478 747</u>	<u>1 587 494</u>	<u>(108 747)</u>	<u>1 613 240</u>
				2019 R	2018 R
9	INVENTORIES				
	The amounts attributable to the different categories are as follows:				
	Raw materials			1 351 000	1 632 102
	Work in progress			8 683 813	12 192 761
	Finished goods			<u>154 839 576</u>	<u>194 896 725</u>
				<u>164 874 389</u>	<u>208 721 588</u>
	The amount of write-downs of inventory recognised as an expense is R8 496 425 (2018: R3 709 938) which is recognised in cost of sales. At year end, the provision for obsolete stock amounts to R2 527 625 (2018: R2 404 641). Inventory is written off due to the goods being damaged or expired.				
				2019 R	2018 R
10	TRADE AND OTHER RECEIVABLES				
	Interest receivable			14 351 867	7 972 083
	Trade receivables			212 680 523	184 077 058
	Deposits			490 908	476 245
	Prepayments			7 700 636	3 693 010
	Expected credit losses			<u>(350 711)</u>	<u>(1 444)</u>
				<u>234 873 223</u>	<u>196 216 952</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)**

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Information about the credit exposures are disclosed in Note 18.

Set out below is the movement in the allowance for expected credit losses based on IFRS 9 principles of trade receivables for 2019:

Balance as at 1 April 2018:	(1 444)
Provision for expected credit losses	(437 431)
Write-off	<u>88 164</u>
Balance as at 31 March 2019:	<u>(350 711)</u>

Set out below is the reconciliation of the provision for doubtful debt balance based on IAS 39 principles for trade receivables for 2018:

Balance as at 1 April 2017:	(25 874)
Provision raised during the year:	(1 444)
Provision utilised during the year:	<u>25 874</u>
Balance as at 31 March 2018:	<u>(1 444)</u>

11 CASH AND CASH EQUIVALENTS

	2019 R	2018 R
Bank and cash	1 461 901	6 662 266
Short term deposits	<u>627 549 846</u>	<u>400 950 428</u>
Cash and cash equivalents	<u>629 011 747</u>	<u>407 612 694</u>

Total facilities include a credit card facility of R1 520 000, 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.

12 SHARE CAPITAL

Authorised 1 000 000 ordinary shares of R1 each	<u>1 000 000</u>	<u>1 000 000</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>

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AT 31 MARCH 2019 (CONTINUED)

13 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:

	2019		2018	
	Minimum payments R	Present value of payments R	Minimum payments R	Present value of payments R
Within one year	178 435	166 894	176 943	158 637
After one year but not more than five years	100 689	98 266	276 791	264 632
Total minimum lease payments	279 124	265 160	453 734	423 269
Less amounts representing finance charges	(13 964)	-	(30 465)	-
Present value of minimum lease payments	265 160	265 160	423 269	423 269

	2019 R	2018 R
14 TRADE AND OTHER PAYABLES		
Trade payables*	92 687 664	67 276 779
Other payables	8 422 117	7 597 782
Accruals	55 670 226	38 892 617
VAT	4 432 937	9 301 768
	161 212 944	123 068 946

*Included in trade payables is amounts owing to related parties. Refer to note 17 for details.

15 PROVISIONS

Opening balance	12 905 252	13 587 742
Utilised	(12 905 252)	(7 134 975)
Additions	9 276 869	6 452 485
	9 276 869	12 905 252

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. During the current financial year R 4 771 106 has been utilised against the 2018 financial year provision and R6 427 479 has been added to the 2019 provision.

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 2017 and was subsequently lost. A provision was raised at approximately R6 456 397 which has been subsequently reversed due the litigation claim being settled in the current year at a value of R4 387 922.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)**

15 PROVISIONS (CONTINUED)

Provision for Sale Returns

Provision for sale returns are based on the total sales amount and is measured at the amount the Company ultimately expects it will return to the customer. During the current financial year R 1 681 379 was utilised against the 2018 financial year provision and R 1 785 923 has been added to the 2019 provision.

16 DERIVATIVE INSTRUMENTS

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.

	2019	2018
	R	R
Foreign exchange contract	31 788	-

17 RELATED PARTIES

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

Lupin Atlantis Holdings

Lupin Middle East

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 (PDMS) – T. J. Scott

2019

	Lupin Ltd	Lupin Atlantis Holdings SA	Lupin Middle East	Lupin Holdingd B.V.	PDMS
	R	R	R	R	R
Income					
Management Fee	-	-	595 530	-	-
Expenditure					
Rental Paid	-	-	-	-	3 446 591
Management Fee	-	3 691 366	-	-	-
Inventory Purchases	42 037 971	-	-	-	-
Dividend Paid	-	-	-	50 000 000	-
Reimbursement by related party					
Recovery of Travel Expenses	-	29 069	1 386 838	-	-
Equity Settled Employee Share Scheme (ESOP)	1 695 609	-	-	-	-

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

17 RELATED PARTIES (continued)

	Lupin Ltd	Lupin Atlantis Holdings SA	Lupin Middle East	Lupin Holdings B.V.	PDMS
	R	R	R	R	R
IT Expenses	496 264	-	-	-	-
Reimbursement from related party					
Recovery of Travel Expenses	4 955	-	-	-	-
Assets/Liabilities					
Amount owing by Related Parties	-	-	1 982 368	-	-
Amount owing to Related Parties	17 042 489	992 867	-	-	-
2018					
	Lupin Ltd	Lupin Atlantis Holdings SA	Lupin Middle East	Lupin Holdings B.V.	PDMS
	R	R	R	R	R
Expenditure					
Rental Paid	-	-	-	-	3 238 950
Inventory Purchases	28 230 847	-	-	-	-
Reimbursement by related party					
Equity Settled Employee Share Scheme (ESOP)	1 794 548	-	-	-	-
IT Expenses	171 321	-	-	-	-
Assets/Liabilities					
Amount owing by Related Parties	-	-	-	-	-
Amount owing to Related Parties	11 324 551	-	-	-	-

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial instruments comprise trade receivables, cash and cash equivalents and trade payables which arise directly from operations.

The company has various other financial assets and liabilities such as investments and derivative instruments.

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	At amortised cost R	Fair Value through profit and loss R	Non-financial assets R	Total R
2019					
Trade and other receivables	10	227 172 586	-	7 700 636	234 873 223
Cash and cash equivalents	11	629 011 747	-	-	629 011 747
Investments		-	8 500 000	-	8 500 000
Foreign exchange contracts		-	31 788	-	31 788
Total		856 184 333	8 531 788	7 700 636	872 416 758
2018					
Trade and other receivables	10	192 523 942	-	3 693 010	196 216 952
Cash and cash equivalents	11	407 612 694	-	-	407 612 694
Total		600 136 636	3 693 010	3 693 010	603 829 646

Liabilities	Note	At amortised cost R	Fair Value through profit and loss R	Non-financial liabilities R	Total R
2019					
Trade and other payables	14	127 065 354	-	34 147 590	161 212 944
Finance lease	13	265 160	-	-	265 160
Total		127 330 514	-	34 147 590	161 478 104
2018					
Trade and other payables	14	88 663 429	-	34 405 517	123 068 946
Finance lease	13	423 269	-	-	423 269
Total		89 086 698	-	34 405 517	123 492 215

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.1 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 and cash equivalents.

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. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The company uses a provision matrix to calculate ECLs for trade receivables.

The provision matrix is initially based on the company's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates, such as regulated price increases and various other economic factors impacting the business, are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

	2019	2018
	R	R
Investec	84%	88%
Standard Bank	16%	12%

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

The short-term credit ratings per Moody's rating agency as at 31 March 2019 for Standard Bank and Investec is P-1.za.

Set out below is the information about the credit risk exposure on the company's trade receivables using a provision matrix (using IFRS 9 principles):

31 March 2019	Outstanding Total	Current	Days past due			
			31 -60 Days	61 -90 Days	91 -120 Days	More than 121 Days
Expected credit loss rate		0.0150%	0.0593%	0.4844%	2.8890%	5.1936%
Estimated total gross carrying amount at default	212 680 523	108 875 596	63 289 439	37 587 855	2 246 081	960 565
Expected credit loss	350 711	16 352	37 512	182 070	64 888	49 888

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.1 Credit risk (continued)

Listed below is the age analysis of trade and other receivables. The age analysis is based on credit terms (using IAS 39 principles).

	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>

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

	2019 R	2018 R
Trade receivables	227 172 586	192 523 942
Short term deposits	627 549 846	400 950 428
Bank and cash	<u>1 461 901</u>	<u>6 662 266</u>
	<u>856 184 333</u>	<u>600 136 636</u>

18.2 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 2019 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.2 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
2019								
Non-interest bearing liabilities		35 952 885	36 835 469	54 277 000	-	-	-	127 065 354
- trade payables	-							
Interest bearing liabilities	5.99		14 869	44 608	125 825	93 822	-	279 124
- finance lease		35 952 885	36 850 338	54 321 608	125 825	93 822	-	127 344 478
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		27 958 956	32 030 440	28 742 012	117 962	176 946	100 847	89 117 163

PHARMA DYNAMICS PROPRIETARY LIMITED

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

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.2 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:

	2019 R	2018 R
Total facilities at the date of this report:		
Credit card	1 520 000	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>27 420 000</u>	<u>26 620 000</u>
Unutilised borrowing facility:		
Credit card	172 946	437 793
Foreign exchange contracts	17 968 212	18 000 000
Fleet management	400 000	81 936
Vehicle and asset finance	2 234 840	2 076 731
Letter of credit	5 000 000	5 000 000
	<u>25 775 998</u>	<u>25 596 460</u>

18.3 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.

18.3.1 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 2019 amounting to: EUR 1 692 236, GBP 310 285 and USD 1 658 566. These amounts total R56 867 538 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 2019 (CONTINUED)

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.3.1 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
2019		
Euro	15%	4 072 637
Pound Sterling	15%	867 919
US Dollar	15%	3 554 739
	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

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.

There was a FEC contract of R31 788 as at 31 March 2019, (2018: Nil).

18.3.2 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% (2018: 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
2019		
	+100	1 267 326
	-100	(1 267 326)
2018		
	+100	4 071 894
	-100	(4 071 894)

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)**

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

18.4 Fair value of financial instruments

Debt instrument at amortised cost, 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.

The unlisted equity investment is measured at fair value through profit and loss, which is considered a level 3 instrument. Level 3 investments are classified as such as the valuation technique for which the lowest level of input is unobservable.

Reconciliation of movements in level 3 assets measured at fair value

Balance as at 1 April 2018	-
Acquisitions	8 500 000
Balance as at 31 March 2019	8 500 000

Description of significant unobservable inputs to the valuation and valuation technique:

The significant unobservable inputs used in the fair value measurement is detailed below together with a sensitivity analysis as at 31 March 2019

Instrument	Valuation basis	Significant unobservable input	Sensitivity to significant unobservable inputs		
			Fair Value	Increase 10%	Decrease 10%
Unlisted equity investment	Current unit price of underlying assets multiplied by units held	Underlying assets	8 500 000	9 350 000	7 650 000

18.5 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 2018.

PHARMA DYNAMICS PROPRIETARY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)**

19 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:

	2019 R	2018 R
Within one year	5 449 563	5 133 050
After one year but not more than five years	<u>6 546 229</u>	<u>11 330 995</u>
Total	<u>11 995 792</u>	<u>16 464 045</u>

20 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 R19 981 397 (2018: R14 985 786) are amounts owing in foreign currencies of USD 122 500, EUR 1 049 607 and GBP 70 000 (2018: USD 105 000, EUR 873 893 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 R19 981 397 (2018: R14 985 786) will be payable over the following financial years:

	2019 R	2018 R
2019	-	3 332 366
2020	6 096 913	5 097 793
2021	5 489 197	1 849 569
2022	3 002 411	2 687 239
2023	1 224 932	1 081 450
2024	1 933 698	937 469
2025	<u>2 234 246</u>	<u>-</u>
	<u>19 981 397</u>	<u>14 985 786</u>

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

PHARMA DYNAMICS PROPRIETARY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31 MARCH 2019 (CONTINUED)

	2019 R	2018 R
21 NOTES TO THE STATEMENT OF CASH FLOWS		
21.1 Cash generated from operations		
Reconciliation of profit before taxation to cash generated from operations		
Profit before taxation	335 625 476	297 901 362
Adjusted for:		
Depreciation	1 672 088	1 466 550
Disposal of fixed assets	278 979	46 585
Interest income	(40 881 602)	(22 151 846)
Interest paid	79 923	51 440
Discounts and rebates allowed	-	174 713
Bad debts	437 431	21 494
Movement in provision	14 828 393	(682 490)
Impairment of intangible assets	-	3 273 076
Amortisation	4 499 384	6 947 364
Write down of inventory	8 496 425	3 709 938
Unrealised profit/(loss) on foreign currency	1 071 609	94 538
Litigation fee	(2 068 745)	-
Operating profit before working capital changes	<u>324 039 362</u>	<u>290 852 724</u>
21.2 Movement in working capital changes		
Decrease in inventory	35 341 773	5 367 415
Increase in trade and other receivables	(38 520 060)	(17 862 449)
(Decrease)/Increase in trade and other payables	<u>24 478 436</u>	<u>(32 657 763)</u>
	<u>21 300 149</u>	<u>(45 152 797)</u>
21.3 Reconciliation of taxation paid during year		
Normal tax		
Balance at beginning of the year	(1 611 617)	(392 668)
Current tax recognised in the statement of comprehensive income	(90 947 756)	(86 646 297)
Balance at end of the year	<u>(4 061 548)</u>	<u>1 611 617</u>
Total tax paid	<u>(96 620 921)</u>	<u>(85 427 348)</u>
21.4 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>629 011 747</u>	<u>407 612 694</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

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

22 DIRECTORS' EMOLUMENTS

	Executive Director Cornelius Frederik Roos		Executive Director Thomas Scott		Total	
	2019 R	2018 R	2019 R	2018 R	2019 R	2018 R
Normal payroll						
Cash salary	2 968 962	2 768 690	1 569 292	1 453 049	4 538 254	4 221 739
Medical aid	61 561	76 031	66 785	68 866	128 346	144 897
Provident fund	505 153	453 505	267 480	238 006	772 633	691 511
Trauma	14 207	-	7 509	-	21 716	-
Bonuses and performance payments	1 798 435	1 356 614	314 615	301 020	2 113 050	1 657 634
Other allowances	43 286	-	26 197	-	69 483	-
Car allowances	240 000	266 797	144 000	167 495	384 000	434 292
	<u>5 631 604</u>	<u>4 921 637</u>	<u>2 395 878</u>	<u>2 228 436</u>	<u>8 027 482</u>	<u>7 150 073</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

DETAILED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	2019 R	2018 R
Gross Revenue		
Sales	1 160 042 690	1 045 991 022
Cost of sales	<u>(440 509 163)</u>	<u>(376 983 710)</u>
Gross profit	719 533 527	669 007 312
Other income and interest	46 220 579	22 336 526
Interest received	40 881 602	22 151 846
Sale of intangible asset	2 000 000	6 773
SETA Claims	554 955	203 473
Interest paid	(79 923)	(51 440)
Bad debts recovered	-	25 874
Stock loss charge to distributor	199 940	-
Management Fee	595 530	-
Litigation fees (refer note 15)	<u>2 068 475</u>	<u>-</u>
Total income	765 754 106	691 343 838
Expenditure	<u>(430 128 630)</u>	<u>(393 442 476)</u>
Profit before taxation	335 625 476	297 901 362
Taxation	<u>(91 056 503)</u>	<u>(85 033 057)</u>
Profit after taxation	<u>244 568 973</u>	<u>212 868 305</u>

PHARMA DYNAMICS PROPRIETARY LIMITED

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED 31 MARCH 2019

	2019 R	2018 R
Expenditure		
Advertising	12 442 358	7 812 561
Amortisation	4 499 384	6 947 364
Assets purchased and written off	16 027	-
Audit and accounting fees	1 695 218	1 430 754
Bad debts	437 431	21 494
Bank charges	291 516	249 914
BEE charges	4 377 755	41 229
Broker administration costs	162 793	286 732
Cellphones	1 031 044	1 004 876
Commissions	10 707 173	10 514 466
Computer expenses	3 279 284	2 328 869
Conferences and meetings	3 490 511	2 620 932
Consulting fees	6 682 076	4 901 427
Courier and postage	1 140 316	1 160 024
Depreciation	1 672 088	1 466 550
Direct selling	157 282 861	148 395 012
Discount and rebates allowed	201 085	174 713
Distribution	35 201 564	32 155 378
Donations	-	50 000
Electricity and water	162 483	158 068
Employee Stock Ownership Plan (ESOP)	1 695 609	1 794 548
Entertainment	167 222	135 644
FOREX risk management fee	205 738	32 850
Group life and disability	915 080	821 069
Human resources	1 043 170	629 881
Impairment	-	3 273 076
Insurance	1 663 545	1 691 728
Internet	-	1 990
Legal fees	-	151 066
Levies	1 385 600	1 290 633
Licences	75 868	64 567
Loss on disposal of fixed assets	278 979	46 585
Motor vehicle expenses	5 056 160	4 440 330
Loss on foreign exchange	4 037 416	4 495 054
Office renovation	37 880	8 945
Printing and stationery	637 661	590 040
Promotions	31 611 241	36 192 000
Project development costs	285	-
Rates	242 586	235 444
Recruitment fees	822 420	565 196
Refreshments	472 414	482 874
Relocation costs	33 457	33 457
Rent	5 524 836	3 832 628
Repairs and maintenance	364 091	236 606
Regulatory expenses	3 219 773	1 261 965
Salaries and wages (incl directors emoluments and motor vehicle allowances)	114 076 694	98 496 128
Samples	426 622	475 481
Social committee	385 193	207 718
Software Implementation	17 797	-
Staff training	1 052 954	940 079
Staff welfare	116 821	79 508
Subscriptions	301 135	389 973
Telephone and fax	836 029	871 871
Trademark and Patent	281 696	182 967
Trauma cover	363 324	353 082
Travel	3 434 920	2 945 763
Quality Assurance	4 552 679	4 433 129
Total operating expenses	430 128 630	393 442 478