

**Zydus Healthcare SA (Pty) Ltd**

(Registration number 1998/14338/07)

**Financial statements  
for the year ended 31 December 2018**

# Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

## General Information

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Country of incorporation and domicile	South Africa
Nature of business and principal activities	Pharmaceutical industry
Directors	I F Oliver V Shiva N Y Shah
Registered office	22 Karee Street Southdowns office park Centurion, Gauteng South Africa 0157
Postal address	Postnet Suite 100 Private Bag X32 Highveld Park 0169
Bankers	Standard Chartered Bank Standard Bank ABSA
Auditors	GNR Auditors Chartered Accountants (SA) Registered Auditors
Company registration number	1998/14338/07
Tax reference number	9167/004/61/4
Preparer	The financial statements were independently compiled by: ADVA Auditors Incorporated

**Zydus Healthcare SA (Pty) Ltd**  
(Registration number: 1998/14338/07)  
Trading as Zydus Healthcare SA (Pty) Ltd  
Financial Statements for the year ended 31 December 2018

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

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<b>Level of assurance</b>	

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa, 71 of 2008.



Chartered Accountants (SA)  
Registered Auditors

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Peter Mokaba Avenue 86  
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## Independent Auditor's Report

To the shareholder of Zydus Healthcare SA (Pty) Ltd

### Opinion

We have audited the financial statements of Zydus Healthcare SA (Pty) Ltd set out on pages 9 to 22, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zydus Healthcare SA (Pty) Ltd as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, 71 of 2008.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa, 71 of 2008, which we obtained prior to the date of this report. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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.

### Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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Registered Auditors

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## Independent Auditor's Report

### Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

GNR Auditors  
CR Rademeyer  
Partner  
Chartered Accountants (SA)  
Registered Auditors

25 March 2019



## Practitioner's Compilation Report

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To the shareholder of Zydus Healthcare SA (Pty) Ltd

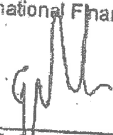
We have compiled the financial statements of Zydus Healthcare SA (Pty) Ltd, as set out on pages 8 - 21, based on the information you have provided. These financial statements comprise the statement of financial position of Zydus Healthcare SA (Pty) Ltd as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

  
ADVA Auditors Incorporated  
Director  
Registered Auditors

25 March 2019



## Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

### Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the company for the financial year ended 31 December 2018 and the results of its operations and cash flows for the year then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 December 2019 and, in the light of this review and the current financial position, the directors are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

#### Approval of financial statements

  
\_\_\_\_\_  
I F Oliver

  
\_\_\_\_\_  
V Shiva

  
\_\_\_\_\_  
N Y Shah

Monday, 25 March 2019

**Zydus Healthcare SA (Pty) Ltd**  
(Registration number: 1998/14338/07)  
Trading as Zydus Healthcare SA (Pty) Ltd  
Financial Statements for the year ended 31 December 2018

**Directors' Report**

The directors have pleasure in submitting their report on the financial statements of Zydus Healthcare SA (Pty) Ltd for the year ended 31 December 2018.

**1. Nature of business**

Zydus Healthcare SA (Pty) Ltd was incorporated in South Africa with interests in the pharmaceutical industry. The company operates primarily in South Africa.

**2. Review of financial results and activities**

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

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

**3. Share capital**

Refer to note 10 of the financial statements for detail of the movement in authorised and issued share capital.

**4. Directors**

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

Directors	Nationality	
I F Oliver	RSA	
S R Gadhia	India	Resigned Friday, 14 September 2018
V Shiva	India	Appointed Wednesday, 05 December 2018
N Y Shah	India	

**5. Events after the reporting period**

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

**6. Going concern**


The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

**7. Auditors**

GNR Auditors will continue in office in accordance with section 90 of the Companies Act of South Africa, 71 of 2008.

**8. Secretary**

The company had no secretary during the year.





**Zydus Healthcare SA (Pty) Ltd**

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Financial Statements for the year ended 31 December 2018

**Directors' Report**

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The financial statements set out on pages 9 to 24, which have been prepared on the going concern basis, were approved by the board of directors on 25 March 2019, and were signed on its behalf by:

Approval of financial statements

  
\_\_\_\_\_  
I F Oliver

  
\_\_\_\_\_  
N V Shah

  
\_\_\_\_\_  
V Shiva

**Zydus Healthcare SA (Pty) Ltd**

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

**Statement of Financial Position as at 31 December 2018**

Figures in Rand

	Note(s)	2018	2017
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	436,370	565,029
Investments in subsidiaries	3	63,997,517	63,997,517
Loans to group companies	4	90,117,511	90,117,511
Deferred tax	6	706,243	40,432
		<u>155,257,641</u>	<u>154,720,489</u>
<b>Current Assets</b>			
Inventories			
Trade and other receivables	7	38,026,648	21,440,784
Other current assets	8	74,544,942	42,479,623
Cash and cash equivalents	5	11,850,971	12,742,141
Current tax receivable	9	23,494,126	10,442,988
		153,063	-
		<u>148,069,750</u>	<u>87,105,536</u>
<b>Total Assets</b>		<u>303,327,391</u>	<u>241,826,025</u>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital			
Reserves			
Accumulated Profit	10	140,504,149	140,504,149
		(28,504,549)	(23,534,792)
		13,264,777	8,234,983
		<u>125,264,377</u>	<u>125,204,340</u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Loans from group companies	4	49,927,563	44,957,806
<b>Current Liabilities</b>			
Trade and other payables	14	116,315,519	62,379,208
Other current liabilities	12	10,268,159	8,586,638
Current tax payable		350,000	291,622
Provisions	13	1,201,773	406,411
		<u>128,135,451</u>	<u>71,663,879</u>
<b>Total Liabilities</b>		<u>178,063,014</u>	<u>116,621,685</u>
<b>Total Equity and Liabilities</b>		<u>303,327,391</u>	<u>241,826,025</u>



## Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

### Statement of Comprehensive Income

Figures in Rand

	Note(s)	2018	2017
Revenue			
Cost of sales	15	274,871,776	234,161,214
Gross profit	16	(120,952,872)	(115,279,230)
Other income		<b>153,918,904</b>	<b>118,881,984</b>
Operating expenses (Refer to page 24 Detail Income statement)	17	499,153	1,832,477
Operating profit		(146,298,726)	(112,199,324)
Investment revenue		<b>8,119,331</b>	<b>8,515,137</b>
Finance costs	18	664,773	36,377
Profit before taxation	19	(1,770,121)	(1,928,984)
Taxation		<b>7,013,983</b>	<b>6,622,530</b>
Profit for the year	20	(1,984,189)	(2,158,689)
Other comprehensive income		<b>5,029,794</b>	<b>4,463,841</b>
Total comprehensive income for the year		<b>5,029,794</b>	<b>4,463,841</b>

**Zydus Healthcare SA (Pty) Ltd**  
 (Registration number: 1998/14338/07)  
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**Statement of Changes in Equity**

Figures in Rand	Share capital	FCTR Reserve	Accumulated (Loss) / Profit	Total equity
<b>Balance at 01 January 2017</b>	<b>140,504,149</b>	<b>(22,341,157)</b>	<b>4,451,142</b>	<b>122,614,134</b>
Profit for the year	-	-	4,463,841	4,463,841
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the year</b>	-	-	-	-
Prior year adjustment	-	-	4,463,841	4,463,841
Revaluation of interest on ZIPL loan	-	-	(680,000)	(680,000)
<b>Total changes</b>	-	<b>(1,193,635)</b>	-	<b>(1,193,635)</b>
<b>Balance at 01 January 2018</b>	<b>140,504,149</b>	<b>(23,534,792)</b>	<b>(680,000)</b>	<b>(1,873,635)</b>
Profit for the year	-	-	8,234,983	125,204,340
Other comprehensive income	-	-	5,029,794	5,029,794
<b>Total comprehensive income for the year</b>	-	-	-	-
Revaluation of interest on ZIPL loan	-	-	5,029,794	5,029,794
<b>Total changes</b>	-	<b>(4,969,757)</b>	-	<b>(4,969,757)</b>
<b>Balance at 31 December 2018</b>	<b>140,504,149</b>	<b>(28,504,549)</b>	<b>13,264,777</b>	<b>125,264,377</b>
Note(s)	10	11		

Handwritten signature and initials in black ink, located below the table.

# Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

## Statement of Cash Flows

Figures in Rand

	Note(s)	2018	2017
<b>Cash flows from operating activities</b>			
Cash receipts from customers		240,831,715	223,883,843
Cash paid to suppliers and employees		(224,997,226)	(199,512,858)
Cash generated from operations			
Tax paid	22	15,834,489	24,370,985
Net cash from operating activities		(2,744,685)	(2,290,901)
		<u>13,089,804</u>	<u>22,080,084</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(92,330)	(408,682)
Sale of property, plant and equipment	2	6,138	-
Interest income		664,773	36,377
Net cash from investing activities		<u>578,581</u>	<u>(372,305)</u>
<b>Cash flows from financing activities</b>			
Movement in other liability		-	(10,242,292)
Finance cost		(617,247)	(1,928,984)
Net cash from financing activities		<u>(617,247)</u>	<u>(12,171,276)</u>
Total cash movement for the year		<u>13,051,138</u>	<u>9,536,503</u>
Cash at the beginning of the year		10,442,988	906,485
Total cash at end of the year	9	<u>23,494,126</u>	<u>10,442,988</u>





# Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

## Accounting Policies

### 1. Basis of preparation and summary of significant accounting policies

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa, 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

#### 1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one period.

Property, plant and equipment is initially measured at cost.

Cost includes costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the period in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

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

Item	Depreciation method	Average useful life
Leasehold property	Straight line	3 years
Furniture and fixtures	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
IT equipment	Straight line	3 years

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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

#### 1.2 Investments in subsidiaries

Investments in subsidiaries are measured at cost less any accumulated impairment losses.

## **Zydus Healthcare SA (Pty) Ltd**

(Registration number: 1998/14338/07)

Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

### **Accounting Policies**

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#### **1.3 Financial instruments**

##### **Initial measurement**

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

##### **Financial instruments at amortised cost**

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

#### **1.4 Tax**

##### **Current tax assets and liabilities**

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

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

##### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at an amount that includes the effect of the possible outcomes of a review by the tax authorities using tax rates that, on the basis of enacted or substantively enacted tax law at the end of the reporting period, are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax asset balances are reviewed at every reporting date. When necessary, a valuation allowance is recognised against the deferred tax assets so that the net amount equals the highest amount that is more likely than not to be realised on the basis of current or future taxable profit.

##### **Tax expenses**

Tax expense is recognised in the same component of total comprehensive income or equity as the transaction or other event that resulted in the tax expense.

#### **1.5 Inventories**

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

#### **1.6 Impairment of assets**

The company assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired.



## Zydus Healthcare SA (Pty) Ltd

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Trading as Zydus Healthcare SA (Pty) Ltd

Financial Statements for the year ended 31 December 2018

### Accounting Policies

#### 1.6 Impairment of assets (continued)

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

#### 1.7 Share capital and equity

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

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

#### 1.8 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

#### 1.9 Revenue

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

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

#### 1.10 Other liability

Zydus Healthcare SA (Pty) Ltd (Distributor) has entered into supply and distribution agreement with Cadila Healthcare Limited (ultimate holding company) (Principal).

The agreement stipulates that the price of the products supplied to the distributor by the principle shall be readjusted on a quarterly basis to bring the EBITA of the distributor in line with the arm's length margin earned by comparable uncontrolled companies in the territory of the distributor.

The adjustment to be made in the form of overall price (True up) will be worked out mutually in order to maintain the EBITA outcome for the distributor to be within the range of comparable companies in a manner which satisfies the arm's length criteria under the transfer pricing regulations of both India and South Africa.



## Zydus Healthcare SA (Pty) Ltd

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### Notes to the Financial Statements

Figures in Rand

#### 2. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold Improvements	389,177	(363,977)	25,200	389,177	(347,177)	42,000
Furniture and fixtures	567,170	(405,222)	161,948	573,310	(369,300)	204,010
Motor vehicles	485,925	(400,815)	85,110	485,925	(335,907)	150,018
Office equipment	185,416	(151,364)	34,052	150,627	(144,507)	6,120
IT equipment	418,205	(288,145)	130,060	360,662	(197,781)	162,881
<b>Total</b>	<b>2,045,893</b>	<b>(1,609,523)</b>	<b>436,370</b>	<b>1,959,701</b>	<b>(1,394,672)</b>	<b>565,029</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Leasehold Improvements	42,000	-	-	(16,800)	25,200
Furniture and fixtures	204,010	-	(6,138)	(35,924)	161,948
Motor vehicles	150,018	-	-	(64,908)	85,110
Office equipment	6,120	34,788	-	(6,856)	34,052
IT equipment	162,881	57,542	-	(90,383)	130,060
	<b>565,029</b>	<b>92,330</b>	<b>(6,138)</b>	<b>(214,851)</b>	<b>436,370</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Closing balance
Leasehold Improvements	-	50,400	(8,400)	42,000
Furniture and fixtures	99,997	193,249	(89,236)	204,010
Motor vehicles	242,003	-	(91,985)	150,018
Office equipment	34,378	-	(28,258)	6,120
IT equipment	74,374	185,033	(76,526)	162,881
	<b>450,752</b>	<b>408,682</b>	<b>(294,405)</b>	<b>565,029</b>

#### 3. Investments in subsidiaries

Name of subsidiary	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Unlisted Investment - Simayla Pharmaceuticals (Pty) Ltd	100.00 %	100.00 %	63,697,517	63,697,517
Unlisted investment - Script Management Services (Pty) Ltd	100.00 %	100.00 %	300,000	300,000
			<b>63,997,517</b>	<b>63,997,517</b>

## ZyduS Healthcare SA (Pty) Ltd

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	2018	2017
<b>4. Loans to (from) group companies</b>		
Simayla Pharmaceuticals (Pty) Ltd No fixed terms of repayment exist at year end.	90,117,511	90,117,511
ZyduS International PVT Ltd The loan has no fixed repayment terms and interest rates are linked to EURO LIBOR.	(49,927,563)	(44,957,806)
	<b>40,189,948</b>	<b>45,159,705</b>
Non-current assets	90,117,511	90,117,511
Non-current liabilities	(49,927,563)	(44,957,806)
	<b>40,189,948</b>	<b>45,159,705</b>
<b>5. Other current assets</b>		
Interest receivable	10,953,681	10,953,681
Deposits	213,737	369,182
Prepaid expenses	683,553	31,844
VAT	-	1,387,434
	<b>11,850,971</b>	<b>12,742,141</b>
<b>6. Deferred tax</b>		
The major components of the deferred tax balance are as follows:		
<b>Reconciliation of deferred tax asset/(liability)</b>		
At beginning of year	40,432	59,002
<b>Recognised in profit or loss:</b>		
Movement in temporary differences on inventory provision	444,964	17,578
Movement in temporary differences on salary related provisions	220,847	(4,648)
Movement in temporary differences on bad debt provision	-	(31,500)
<b>At end of year</b>	<b>665,811</b>	<b>(18,570)</b>
	<b>706,243</b>	<b>40,432</b>
<b>7. Inventories</b>		
Finished goods	39,800,039	21,562,239
Inventories (write-downs)	(1,773,391)	(121,455)
	<b>38,026,648</b>	<b>21,440,784</b>
<b>8. Trade and other receivables</b>		
Trade receivables	74,014,321	42,245,521
Other receivables	530,621	234,102
	<b>74,544,942</b>	<b>42,479,623</b>



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	2018	2017
<b>9. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand		3,000
Bank balances	23,494,126	10,439,988
	<u>23,494,126</u>	<u>10,442,988</u>
<b>10. Share capital</b>		
<b>Authorised number of shares</b>		
Ordinary shares	70,000,000	70,000,000
Preference shares	10,000,000	10,000,000
	<u>80,000,000</u>	<u>80,000,000</u>
<b>Issued number of shares</b>		
Ordinary shares	57,704,149	57,704,149
Preference shares	5,877,000	5,877,000
	<u>63,581,149</u>	<u>63,581,149</u>
<b>Issued</b>		
Ordinary	57,704,149	57,704,149
Preference	82,800,000	82,800,000
	<u>140,504,149</u>	<u>140,504,149</u>
<b>11. FCTR Reserve</b>		
Reported as at 01 January		
Revaluation and exchange rate adjustment to Zydus International PVT Ltd loan.	(23,534,792)	(22,341,157)
	<u>(4,969,757)</u>	<u>(1,193,635)</u>
	<u>(28,504,549)</u>	<u>(23,534,792)</u>
<b>12. Other current liabilities</b>		
VAT	439,982	-
Interest payable	9,617,548	8,464,674
Other	210,629	121,964
	<u>10,268,159</u>	<u>8,586,638</u>

**Zydus Healthcare SA (Pty) Ltd**  
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**Notes to the Financial Statements**

Figures in Rand

**13. Provisions**

**Reconciliation of provisions - 2018**

	2018	2017
	<b>Opening balance</b>	<b>Additions</b>
	<b>Utilised/reversed during the year</b>	<b>Total</b>
Provision for leave pay	406,411	-
Provision for annual bonus and incentives	-	900,000
	<b>406,411</b>	<b>900,000</b>
	<b>(104,638)</b>	<b>301,773</b>
		<b>900,000</b>
		<b>1,201,773</b>

**Reconciliation of provisions - 2017**

Provisions for leave pay

Opening balance	Additions	Total
399,789	6,622	406,411

**14. Trade and other payables**

Trade payables  
 Other payables

69,820,274	43,289,451
46,495,245	19,089,757
<b>116,315,519</b>	<b>62,379,208</b>

**15. Revenue**

Sale of goods  
 Out-Licensing  
 Tender sales  
 Other

199,195,857	174,674,091
64,065,060	58,558,953
8,906,889	928,170
2,703,970	-
<b>274,871,776</b>	<b>234,161,214</b>

**16. Cost of sales**

Cost of goods sold

120,952,872	115,279,230
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**17. Other income**

License fees earned  
 Recoveries  
 SETA Refund  
 Sundry balances written back

-	1,250,000
204,923	445,961
-	136,516
294,230	-
<b>499,153</b>	<b>1,832,477</b>

**18. Investment revenue**

Interest revenue  
 Interest received

664,773	36,377
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# Zydus Healthcare SA (Pty) Ltd

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Financial Statements for the year ended 31 December 2018

## Notes to the Financial Statements

Figures in Rand

	2018	2017
<b>19. Finance costs</b>		
Bank charges	88,841	76,449
ERF loss	943,476	210,017
Interest paid - ZIPL	209,397	228,501
Bank interest	32,454	744,477
Corporate guarantee fees	495,953	669,540
	<b>1,770,121</b>	<b>1,928,984</b>
<b>20. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current taxation</b>		
South African normal tax - year	2,650,000	1,749,218
Security transfer tax	-	390,901
	<b>2,650,000</b>	<b>2,140,119</b>
<b>Deferred taxation</b>		
South African deferred tax - current year	(665,811)	18,570
	<b>1,984,189</b>	<b>2,158,689</b>
<b>21. Auditor's remuneration</b>		
Audit Fees	517,000	182,130
Consulting	23,430	-
	<b>540,430</b>	<b>182,130</b>
<b>22. Cash generated from operations</b>		
Profit before taxation	7,013,983	6,622,530
<b>Adjustments for:</b>		
Depreciation and amortisation	214,851	294,405
Interest received	(664,773)	(36,377)
Finance costs	617,247	1,928,984
Finance cost : Non-cash	1,152,874	-
Other non-cash items	-	(680,000)
<b>Changes in working capital:</b>		
Inventories	(16,585,864)	(5,021,113)
Trade and other receivables	(31,174,149)	(12,124,498)
Provisions	795,362	6,622
Trade and other payables	54,464,958	33,380,432
	<b>15,834,489</b>	<b>24,370,985</b>

**Zydus Healthcare SA (Pty) Ltd**

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**Notes to the Financial Statements**

Figures in Rand

	2018	2017
<b>23. Related parties</b>		
<b>Relationships</b>		
Ultimate holding company		
Holding company		
Subsidiaries		
Other group companies		
		Cadila Healthcare Limited Zydus Worldwide DMCC Simayla Pharmaceuticals (Pty) Ltd Script Management Services (Pty) Ltd Zydus International Pvt. Ltd. Zydus Wellness, Sikkim, a partnership firm
<b>Related party balances and transactions with entities over which the company has control, joint control or significant influence</b>		
<b>Related party balances</b>		
<b>Loan accounts - Owning (to) by related parties</b>		
Simayla Pharmaceuticals (Pty) Ltd	90,117,511	90,117,511
Zydus International PVT Ltd	(49,927,563)	(44,957,806)
<b>Amounts included in Trade Receivable (Trade Payable) regarding related parties</b>		
Cadila Healthcare Limited	(61,864,653)	(36,482,727)
Zydus Wellness, Sikkim, a partnership firm	-	(2,085,001)
Script Management Services (Pty) Ltd	(650,935)	(684,864)
<b>True up adjustment (payable)/receivable</b>		
Cadila Healthcare Limited	(4,983,520)	760,137
Zydus Wellness, Sikkim, a partnership firm	2,269,097	-
<b>Amounts included in Interest Receivable (Interest Payable) regarding related parties</b>		
Simayla Pharmaceuticals (Pty) Ltd	10,953,681	10,953,681
Zydus International PVT Ltd	(9,617,548)	(8,464,674)
<b>Investments in subsidiaries</b>		
Script Management Services (Pty) Ltd	300,000	300,000
Simayla Pharmaceuticals (Pty) Ltd	63,697,517	63,697,517
<b>Share capital</b>		
Zydus Worldwide DMCC	(140,504,149)	(140,504,149)
<b>Related party transactions</b>		
<b>Interest paid to (received from) related parties</b>		
Zydus International PVT Ltd	209,397	228,501
<b>Purchases from (sales to) related parties</b>		
Cadila Healthcare Limited	82,410,662	77,112,089
Zydus Wellness, Sikkim, a partnership firm	-	2,085,001
<b>Guarantee fees paid to (received from) related parties</b>		
Cadila Healthcare Limited	495,953	669,540
<b>Data fees paid to (received from) related parties</b>		
Script Management Services (Pty) Ltd	34,645,907	21,439,101

**Zydus Healthcare SA (Pty) Ltd**

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**Notes to the Financial Statements**

Figures in Rand

	2018	2017
<b>23. Related parties (continued)</b>		
<b>Administration fee paid to (received from) related parties</b>		
Script Management Services (Pty) Ltd	47,130	48,400
<b>True up expense (income)</b>		
Cadila Healthcare Limited	11,816,577	11,500,833
Zydus Wellness, Sikkim, a partnership firm	(2,269,097)	-
<b>24. Directors' remuneration</b>		
<b>Executive</b>		
<b>2018</b>		
S R Gadhia	<b>Emoluments</b>	<b>Total</b>
V Shiva	866,282	866,282
N Y Shah	1,875,030	1,875,030
	112,407	112,407
	<u>2,853,719</u>	<u>2,853,719</u>
<b>2017</b>		
S R Gadhia	<b>Emoluments</b>	<b>Total</b>
V Shiva	1,208,495	1,208,495
	1,966,297	1,966,297
	<u>3,174,792</u>	<u>3,174,792</u>
<b>25. Comparative figures</b>		

Certain comparative figures have been reclassified.



## Zydus Healthcare SA (Pty) Ltd

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### Detailed Income Statement

Figures in Rand

	Note(s)	2018	2017
<b>Revenue</b>			
Sale of goods		199,195,857	174,674,091
Other		2,703,970	-
Out-Licensing		64,065,060	58,558,953
Tender sales		8,906,889	928,170
	15	<b>274,871,776</b>	<b>234,161,214</b>
<b>Cost of sales</b>			
Opening stock		(21,440,784)	(16,478,347)
Purchases and adjustments		(137,538,736)	(120,241,667)
Closing stock		38,026,648	21,440,784
	16	<b>(120,952,872)</b>	<b>(115,279,230)</b>
<b>Gross profit</b>		<b>153,918,904</b>	<b>118,881,984</b>
<b>Other income and investment revenue</b>			
Marketing Fees earned		-	1,250,000
Recoveries		204,923	445,961
Seta Refund		-	136,516
Sundry balances written back		294,230	-
Interest received	18	664,773	36,377
		<b>1,163,926</b>	<b>1,868,854</b>



## Zydus Healthcare SA (Pty) Ltd

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Trading as Zydus Healthcare SA (Pty) Ltd

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### Detailed Income Statement

Figures in Rand

	Note(s)	2018	2017
<b>Operating expenses</b>			
Administration and management fees			
Marketing expenses : Sales Promotion		(47,130)	(48,400)
Regulatory and lab testing		(5,850,536)	(5,178,622)
Auditors remuneration		(2,695,047)	(1,860,949)
HR Admin fees	21	(540,430)	(182,130)
Marketing expenses : Product Information		(633,970)	(602,478)
Marketing expenses : Seminar & Conference		(2,613,910)	(310,828)
Marketing expenses : Sponsorship		(786,009)	(40,286)
Consulting and professional fees		(1,025,389)	(172,921)
Market research : Other expenses		(135,390)	(118,400)
Distribution fees		(46,537,750)	(38,167,606)
Delivery expenses		(9,463,305)	(9,725,074)
Depreciation, amortisation and impairments		(21,692,072)	(18,381,795)
Employee costs		(214,851)	(294,405)
Marketing expenses : CRM		(29,821,312)	(24,993,082)
Profit and loss on exchange differences		(159,123)	(161,559)
Employee Benefits		(5,633,990)	1,268,954
Market research : IMS Data fees		(342,580)	(506,507)
IT expenses		(1,549,862)	(857,074)
Insurance		(1,586,148)	(744,239)
Lease rentals on operating lease		(175,608)	(236,036)
Repairs and maintenance		(1,300,678)	(1,167,031)
Other expenses		(151,570)	(216,526)
Sales Incentives		(466,303)	(650,962)
Staff welfare		(4,280,363)	(2,612,851)
Subscriptions and membership fees		(150,389)	(157,492)
Telephone and fax		(446,051)	(121,939)
Travel - local - Others		(517,873)	(481,335)
Travel - local - Employees		(71,998)	-
Travel - overseas		(7,375,607)	(5,432,418)
		(33,482)	(45,333)
<b>Operating profit</b>		<b>(146,298,726)</b>	<b>(112,199,324)</b>
Finance costs		8,784,104	8,551,514
<b>Profit before taxation</b>	19	<b>(1,770,121)</b>	<b>(1,928,984)</b>
Taxation		7,013,983	6,622,530
<b>Profit for the year</b>	20	<b>(1,984,189)</b>	<b>(2,158,689)</b>
		<b>5,029,794</b>	<b>4,463,841</b>