

Zydus Healthcare SA (Pty) Ltd

(Registration number 1998/14338/07)

**Financial statements
for the year ended 31 December 2019**

Handwritten initials

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 2019

General Information

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 2019

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

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The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Income Statement	23 - 24
Level of assurance	

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**

☎ 018 293 2726

☎ 018 462 8039 (Klerksdorp)

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Peter Mokaba Avenue 86
Potchefstroom
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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 (the company) set out on pages 9 to 22, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 information included in the document titled "Zydus Healthcare SA (Pty) Ltd financial statements for the year ended 31 December 2019", which includes the Directors' Report as required by the Companies Act of South Africa, 71 of 2008 and the Detailed Income Statement, which we obtained prior to the date of this report. The 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 on the other information obtained prior to the date of this auditor's report, 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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Independent Auditor's Report

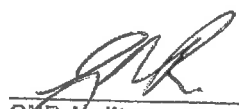
Auditor's responsibilities for the audit of the Financial Statements

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.


GMR Auditors
GR Rademeyer
Partner
Chartered Accountants (SA)
Registered Auditors

18 May 2020



Practitioner's Compilation Report

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 9 - 22, 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 2019, 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.

A handwritten signature in dark ink, appearing to be 'C. All', is written over a horizontal line.

ADVA Auditors Incorporated
Director

18 May 2020

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 2019

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 2019 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 2020 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



N V Shah



V Shiva

18 May 2020

Zydus Healthcare SA (Pty) Ltd

(Registration number: 1998/14338/07)
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Financial Statements for the year ended 31 December 2019

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 2019.

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
V Shiva	India
N Y Shah	India

5. Events after the reporting period

Subsequent to the reporting date, the World Health Organisation [WHO] has declared Covid-19 as pandemic in March 2020. As a result, the country of South Africa in which the Company operates went into lockdown situation all throughout April and May 2020, impacting business operations across various sectors with severe restrictions on movement of people and goods.

The Company has implemented several initiatives like work from home, social distancing at work place, conducting digital team and other meetings and proper sanitization of work places etc. for ensuring safety of its employees and other business partners and at the same time to ensure continuity of its business operations with minimal disruption. The Company primarily operates in selling of pharmaceutical products, which are classified as essential commodities and hence the business operations continued to run with fewer challenges on movement of people and supply chain.

As per current assessment of the situation based on internal and external information available up to the date of approval of these financial statements, the Company considers this to be a non adjusting event after the reporting date. The Company further believes that the impact of Covid-19 on its business, internal financial controls, profitability and liquidity, both present and future, would be limited and there is no indication of any material impact on the financial position of the Company as on the date of approval of these financial statements.

The directors are not aware of any other material events except the above mentioned matter 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.



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Directors' Report

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.

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 18 May 2020, and were signed on its behalf by:

Approval of financial statements



I F Oliver



V Shiva



N V Shah

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Statement of Financial Position as at 31 December 2019

Figures in Rand

	Note(s)	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment			436,370
Investments in subsidiaries	2	231,746	63,997,517
Loans to group companies	3	63,997,517	90,117,511
Deferred tax	4	90,117,511	706,243
	6	1,189,760	
		155,536,534	155,257,641
Current Assets			
Inventories			
Trade and other receivables	7	36,382,364	74,088,751
Other current assets	8	83,929,065	12,307,162
Current tax receivable	5	13,233,349	300,000
Cash and cash equivalents	9	39,390,853	23,494,126
		175,235,631	148,069,750
Total Assets		330,772,165	303,327,391
Equity and Liabilities			
Equity			
Share capital			
Reserves	10	140,504,149	(28,504,549)
Accumulated Profit		(26,170,138)	17,295,725
		17,295,725	13,264,777
		131,629,736	125,264,377
Liabilities			
Non-Current Liabilities			
Loans from group companies	4	47,593,152	49,927,563
Current Liabilities			
Trade and other payables	14	139,796,992	116,315,519
Other current liabilities	12	10,550,512	350,000
Current tax payable			1,201,773
Provisions	13	1,201,773	
		151,549,277	128,135,451
Total Liabilities		199,142,429	178,063,014
Total Equity and Liabilities		330,772,165	303,327,391

Zydus Healthcare SA (Pty) Ltd

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Financial Statements for the year ended 31 December 2019

Statement of Comprehensive Income

Figures in Rand	Note(s)	2019	2018
Revenue			
Cost of sales	15	315,136,633	274,871,776
Gross profit	16	(158,373,195)	(120,952,872)
Other income		156,762,438	153,918,904
Operating expenses (Refer to page 24 Detail Income statement)	17	775,162	499,153
Operating profit		(152,972,384)	(146,298,726)
Investment revenue		4,565,216	8,119,331
Finance costs	18	1,119,405	664,773
Profit before taxation	19	(138,602)	(1,770,121)
Taxation		5,546,019	7,013,983
Profit for the year	20	(1,515,071)	(1,984,189)
Other comprehensive income		4,030,948	5,029,794
Total comprehensive income for the year		4,030,948	5,029,794

Zydus Healthcare SA (Pty) Ltd

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Financial Statements for the year ended 31 December 2019

Statement of Changes in Equity

Figures in Rand	Share capital	FCTR Reserve	Accumulated (Loss) / Profit	Total equity
Balance at 01 January 2018	140,504,149	(23,534,792)	8,234,983	125,204,340
Profit for the year	-	-	5,029,794	5,029,794
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	5,029,794	5,029,794
Revaluation of interest on ZIPL loan	-	(4,969,757)	-	(4,969,757)
Total changes	-	(4,969,757)	-	(4,969,757)
Balance at 01 January 2019	140,504,149	(28,504,549)	13,264,777	125,264,377
Profit for the year	-	-	4,030,948	4,030,948
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	4,030,948	4,030,948
Revaluation of interest on ZIPL loan	-	2,334,411	-	2,334,411
Total changes	-	2,334,411	-	2,334,411
Balance at 31 December 2019	140,504,149	(26,170,138)	17,295,725	131,629,736
Note(s)	10	11		

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Statement of Cash Flows

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash receipts from customers		301,710,313	240,831,715
Cash paid to suppliers and employees		(284,110,525)	(224,996,926)
Cash generated from operations			
Tax paid	22	17,599,788	15,834,788
		(2,495,525)	(2,744,685)
Net cash from operating activities		15,104,263	13,090,104
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(9,050)	(92,330)
Sale of property, plant and equipment	2	64,001	5,838
Interest income		1,119,405	684,773
Net cash from investing activities		1,174,356	578,281
Cash flows from financing activities			
Finance cost		(381,892)	(617,247)
Total cash movement for the year		15,896,727	13,051,138
Cash at the beginning of the year		23,494,126	10,442,988
Total cash at end of the year	9	39,390,853	23,494,126

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 2019

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.

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Accounting Policies

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 to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax asset is recognised for the carry forward of unused tax losses.

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

Tax expenses

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.

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.

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Accounting Policies

1.6 Impairment of assets (continued)

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.



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Notes to the Financial Statements

Figures in Rand

	2019	2018
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2. Property, plant and equipment

	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold Improvements	389,177	(380,777)	8,400	389,177	(363,977)	25,200
Furniture and fixtures	567,170	(444,897)	122,273	567,170	(405,222)	161,948
Motor vehicles	475,161	(453,884)	21,277	485,925	(400,815)	85,110
Office equipment	185,416	(159,426)	25,990	185,416	(151,364)	34,052
IT equipment	418,484	(364,678)	53,806	418,205	(288,145)	130,060
Total	2,035,408	(1,603,662)	231,746	2,046,893	(1,609,523)	436,370

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Leasehold Improvements	25,200	-	-	(16,800)	8,400
Furniture and fixtures	161,948	-	-	(39,675)	122,273
Motor vehicles	85,110	-	-	(63,833)	21,277
Office equipment	34,052	-	-	(8,062)	25,990
IT equipment	130,060	9,050	(2,681)	(82,623)	53,806
	436,370	9,050	(2,681)	(210,993)	231,746

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	-	(90,363)	130,060
	565,029	92,330	(6,138)	(214,851)	436,370

3. Investments in subsidiaries

Name of subsidiary	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
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
			63,997,517	63,997,517

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	2019	2018
4. Loans to (from) group companies		
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.	(47,593,152)	(49,927,563)
	42,524,359	40,189,948
Non-current assets	90,117,511	90,117,511
Non-current liabilities	(47,593,152)	(49,927,563)
	42,524,359	40,189,948
5. Other current assets		
Interest receivable	10,953,681	10,953,681
Deposits	256,668	213,737
Vat receivable	797,766	-
Advances to suppliers	1,225,234	456,191
Prepaid expenses	-	683,553
	13,233,349	12,307,162
6. Deferred tax		
The major components of the deferred tax balance are as follows:		
Reconciliation of deferred tax asset/(liability)		
At beginning of year	706,243	40,432
Recognised in profit or loss:		
Movement in temporary differences on inventory provision	369,733	444,964
Movement in temporary differences on salary related provisions	113,784	220,847
	483,517	665,811
At end of year	1,189,760	706,243
7. Inventories		
Finished goods	41,354,776	39,800,039
Inventories (write-downs)	41,354,776 (2,972,412)	39,800,039 (1,773,391)
	38,382,364	38,026,648
8. Trade and other receivables		
Trade receivables	83,636,126	73,558,130
Other receivables	292,939	530,621
	83,929,065	74,088,751

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	2019	2018
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	39,390,853	23,494,126
10. Share capital		
Authorised number of shares		
Ordinary shares	70,000,000	70,000,000
Preference shares	10,000,000	10,000,000
	80,000,000	80,000,000
Issued number of shares		
Ordinary shares	57,704,149	57,704,149
Preference shares	5,877,000	5,877,000
	63,581,149	63,581,149
Issued		
Ordinary	57,704,149	57,704,149
Preference	82,800,000	82,800,000
	140,504,149	140,504,149
11. FCTR Reserve		
Reported as at 01 January		
Revaluation and exchange rate adjustment to Zydus International PVT Ltd loan.	(28,504,549)	(23,534,792)
	2,334,411	(4,969,757)
	(26,170,138)	(28,504,549)
12. Other current liabilities		
VAT	991,922	439,982
Interest payable	9,374,257	9,617,548
Other	184,334	210,828
	10,550,513	10,268,359

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Figures in Rand

	2019	2018		
13. Provisions				
Reconciliation of provisions - 2019				
Provision for leave pay	301,773	301,773		
Provision for annual bonus and incentives	900,000	900,000		
	<u>1,201,773</u>	<u>1,201,773</u>		
Reconciliation of provisions - 2018				
	Opening balance	Additions	Utilised during the year	Total
Provisions for leave pay	406,411	-	(104,638)	301,773
Other provisions	-	900,000	-	900,000
	<u>406,411</u>	<u>900,000</u>	<u>(104,638)</u>	<u>1,201,773</u>
14. Trade and other payables				
Trade payables	98,003,668	69,820,274		
Other payables	41,793,324	46,495,245		
	<u>139,796,992</u>	<u>116,315,519</u>		
15. Revenue				
Sale of goods	221,876,373	199,228,953		
Out-Licensing	80,630,734	64,034,127		
Tender sales	10,500,536	8,906,889		
Other	2,127,990	2,701,807		
	<u>315,135,633</u>	<u>274,871,776</u>		
16. Cost of sales				
Cost of goods sold	158,373,195	120,952,872		
17. Other income				
Profit/(loss) on sale of fixed assets	61,320	(300)		
Recoveries	306,297	204,923		
Sundry balances written back	407,545	294,230		
	<u>775,162</u>	<u>498,853</u>		
18. Investment revenue				
Interest revenue	1,119,405	664,773		
Interest received	-	-		
	<u>1,119,405</u>	<u>664,773</u>		

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Financial Statements for the year ended 31 December 2019

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Figures in Rand

	2019	2018
19. Finance costs		
Bank charges	104,474	88,841
ERF (gain)/loss	(455,110)	943,476
Interest expense - ZIPL	211,820	209,397
Bank interest	28,598	32,454
Corporate guarantee fees	248,820	495,953
	<u>138,602</u>	<u>1,770,121</u>
20. Taxation		
Major components of the tax expense		
Current taxation		
South African normal tax - year	1,998,588	2,650,000
Deferred taxation		
South African deferred tax - current year	(483,517)	(665,811)
	<u>1,515,071</u>	<u>1,984,189</u>
21. Auditor's remuneration		
Audit Fees	370,500	517,000
Consulting	9,750	23,430
	<u>380,250</u>	<u>540,430</u>
22. Cash generated from operations		
Profit before taxation	5,546,019	7,013,983
Adjustments for:		
Depreciation and amortisation	210,993	214,851
(Profit)/loss on sale of assets	(61,320)	300
Interest received	(1,119,405)	(664,773)
Finance costs	381,892	617,247
Finance cost : Non-cash	(243,290)	1,152,874
Changes in working capital:		
Inventories	(355,716)	(16,585,864)
Trade and other receivables	(9,840,314)	(31,174,149)
Provisions	-	795,362
Movement in Other current assets	(926,187)	-
Movement in Other current Liabilities	525,643	-
Trade and other payables	23,481,473	54,464,958
	<u>17,599,788</u>	<u>15,834,789</u>

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Figures in Rand

	2019	2018
23. Related parties (continued)		
Data fees expense to related parties		
Script Management Services (Pty) Ltd	56,824,283	34,645,907
Administration fee expense to related parties		
Script Management Services (Pty) Ltd	55,150	47,130
True up expense (income)		
Cadila Healthcare Limited	23,974,104	11,816,577
Zydus Wellness Products Limited (Formerly known as Zydus Wellness, Sikkim, a partnership firm)	2,269,097	(2,269,097)

24. Directors' remuneration

Executive

2019

V Shiva
 N Y Shah

Emoluments	Total
2,076,426	2,076,426
973,838	973,838
3,050,264	3,050,264

2018

S R Gadhia
 V Shiva
 N Y Shah

Emoluments	Total
866,282	866,282
1,875,030	1,875,030
112,407	112,407
2,853,719	2,853,719

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Financial Statements for the year ended 31 December 2019

Detailed Income Statement

Figures in Rand	Note(s)	2019	2018
Revenue			
Sale of goods		221,876,373	199,228,953
Other		2,127,990	2,701,807
Out-Licensing		80,630,734	64,034,127
Tender sales		10,500,536	8,906,889
	15	315,135,633	274,871,776
Cost of sales			
Opening stock		(38,026,648)	(21,440,784)
Purchases and adjustments		(158,728,911)	(137,538,736)
Closing stock		38,382,364	38,026,648
	16	(158,373,195)	(120,952,872)
Gross profit		156,762,438	153,918,904
Other income and investment revenue			
Recoveries		306,297	204,923
Sundry balances written back		407,545	294,230
Interest received		1,119,405	664,773
Profit/(loss) on disposal of fixed assets	18	61,320	(300)
		1,894,567	1,163,626

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Detailed Income Statement

Figures in Rand

	Note(s)	2019	2018
Operating expenses			
Administration and management fees		(55,150)	(47,130)
Marketing expenses : Sales Promotion		(6,821,445)	(5,850,538)
Regulatory and lab testing		(1,511,470)	(2,695,047)
Auditors remuneration		(380,250)	(540,430)
HR Admin fees	21	(664,848)	(633,970)
Marketing expenses : Product Information		(2,610,998)	(2,613,910)
Marketing expenses : Seminar & Conference		(535,407)	(786,009)
Marketing expenses : Sponsorship		(926,613)	(1,025,389)
Consulting and professional fees		(44,489)	(135,390)
Market research : Other expenses		(57,012,335)	(46,537,750)
Distribution fees		(7,860,140)	(9,483,305)
Delivery expenses		(24,087,589)	(21,692,072)
Depreciation, amortisation and impairments		(210,993)	(214,851)
Employee costs		(31,893,298)	(29,821,312)
Marketing expenses : CRM		(265,351)	(159,123)
Profit/(loss) on exchange differences		1,527,908	(5,633,990)
Employee Benefits		(425,710)	(342,580)
Market research : IMS Data fees		(1,617,763)	(1,549,862)
IT expenses		(1,653,757)	(1,586,148)
Insurance		(202,727)	(175,608)
Lease rentals on operating lease		(1,392,430)	(1,300,678)
Repairs and maintenance		(122,501)	(151,570)
VAT expense		(188,792)	-
Other expenses		(752,106)	(538,001)
Sales incentives		(3,670,542)	(4,280,363)
Staff welfare		(279,596)	(150,389)
Subscriptions and membership fees		(364,445)	(446,051)
Telephone and fax		(725,074)	(517,873)
Travel - local - Employees		(7,949,025)	(7,375,607)
Travel - overseas		(275,448)	(33,482)
Operating profit		(152,972,384)	(146,298,426)
Finance costs		5,684,621	8,784,104
Profit before taxation	19	(138,602)	(1,770,121)
Taxation		5,546,019	7,013,983
Profit for the year	20	(1,515,071)	(1,984,189)
		4,030,948	5,029,794