

Independent Auditors' Report

To the Members of **Ranbaxy Laboratories Limited**

1. Report on the Financial Statements

We have audited the accompanying financial statements of Ranbaxy Laboratories Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2014, and the Statement of Profit and Loss and the Cash Flow Statement for the fifteen months ended 31 March 2014 ("current period"), and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (b) in the case of the Statement of Profit and Loss, of the loss for the fifteen months ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the fifteen months ended on that date.

5. Emphasis of Matter

Without qualifying our opinion, we draw attention to note 41 b) of the financial statements which explains in detail the prohibition imposed by the Food and Drug Administration of the United States of America on the Toansa manufacturing unit of the Company, and the communications received from/ actions taken by other regulators including the Department of Justice of the United States of America and regulators in European Union countries. Consequently, the Company has made provisions, to the extent of Rs. 2,862.78 million, on the basis of best information and estimates presently available with the Company. The basis and assumptions used by the management in calculating these provisions involve significant judgment and estimates (including those relating to inventories, sales return, trade commitments, realisability of tax assets, etc.). There are inherent uncertainties regarding the future actions of the regulators, the impact of which is not ascertainable at this stage and therefore, the actual amounts may eventually differ.

6. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (ii) As required by provisions of section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act read with the General Circular 15/2013 dated 13 September 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
 - e. on the basis of written representations received from the directors as on 31 March 2014 and taken on record by the Board of Directors, none of the directors are disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For B S R & Co. LLP
Chartered Accountants
Registration No. 101248W

Akhil Bansal
Partner
Membership No.: 090906

Place : Gurgaon, India
Dated : 9 May 2014

Annexure referred to in paragraph 6 of the Independent Auditors' Report

The Annexure referred to in our report to the members of Ranbaxy Laboratories Limited ("the Company") for the fifteen months ended 31 March 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets through which all fixed assets are verified, in a phased manner, over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. As informed to us, no material discrepancies were noticed on such verification as carried out under the above programme during the current period.
- (c) Fixed assets disposed off during the current period were not substantial, and therefore, do not affect the going concern assumption.
- (ii) (a) The inventories, except goods-in-transit, have been physically verified by the management during the current period. In our opinion, the frequency of such verification is reasonable.
- (b) *Subject to our comments in clause (xxi) below*, in our opinion, the procedures of physical verification of inventories followed by the management during the current period are reasonable and adequate in relation to the size of the Company and the nature of its business. According to further information and explanations provided to us, the management has also carried out a physical verification of its inventory as at the period-end, wherein no instances of incorrect inventory management, as referred to in clause (xxi), below were noticed at the period end.
- (c) *Subject to our comments in clause (xxi) below*, the Company is maintaining proper records of inventories and the discrepancies observed on verification between the physical stocks and the book records were not material. The findings referred to in clause (xxi) below have been adequately dealt with in the book records.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act').
- (iv) In our opinion, and according to the information and explanations given to us, and having regard to the explanation that purchase of certain items of inventories and fixed assets are for the Company's specialised requirements, and similarly, certain goods sold and services rendered are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets, and for the sale of goods and services. In our opinion, and according to the information and explanations given to us, we have not observed any major weakness during the course of audit.
- (v) In our opinion, and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under section 301 of the Act.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Act, in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the records with a view to determine whether these are accurate or complete.
- (ix) (a) According to the information and explanations given to us, and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues have generally been regularly deposited during the current period by the Company with the appropriate authorities, *though there has been a slight delay in a few cases*. According to the information and explanations given to us and on the basis of our examination of the records of the Company, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date those became payable.
- (b) According to the information and explanations given to us, there are no dues of Income Tax, Wealth Tax and Customs Duty which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Excise Duty, Entry Tax, Value Added Tax, Service Tax and Sales Tax have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the dues	Amount (Rs. in millions)	Period to which the amount relates to	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	20.51	2001-02, May 2003 to December 2007, 2004 and 2005, 2007, 2008 and 2006 to 2010	Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Delhi
Central Excise Act, 1944	Service Tax	4.48	2006 to 2011	CESTAT, Delhi
Central Excise Act, 1944	Excise Duty	1.95	2004 to 2007	CESTAT, Mumbai
Central Excise Act, 1944	Excise Duty	3.77	2005 to 2009	Commissioner (Appeals), Chandigarh
Central Excise Act, 1944	Excise Duty	0.34	2011 to 2012	Commissioner (Appeals), Chandigarh

Name of the Statute	Nature of the dues	Amount (Rs. in millions)	Period to which the amount relates to	Forum where dispute is pending
Uttar Pradesh Commercial Tax Act, 1948	Value Added Tax	6.17	2011-12 and 2012-13	Additional Commissioner (Appeals), Commercial Tax Lucknow
Madhya Pradesh Value Added Tax Act, 2002	Value Added Tax	0.14	2008-09	Additional Commissioner of Commercial Tax, Indore
Madhya Pradesh Value Added Tax Act, 2002	Entry Tax	2.59	2009-10	Madhya Pradesh Commercial Tax Appellate Board, Bhopal
The Rajasthan Value Added Tax Act, 2003	Value Added Tax	0.45	2008-09	Deputy Commissioner Appeals Commercial Taxes, Jaipur
West Bengal Value Added Tax Act, 2003	Value Added Tax	0.14	2010-11	Senior Joint Commissioner, Kolkata
Delhi Value Added Tax Act, 2004	Value Added Tax	0.10	2007-08	Joint commissioner Trade and Tax Department, Delhi
Bihar Value Added Tax Act, 2005	Value Added Tax	10.79	2005-06, 2006-07	Joint Commissioner, Commercial Tax Appeal, Patna
The Odisha Entry Tax Act, 1999	Sales Tax	0.34	April 2005 to January 2007	Orissa Sales Tax Tribunal
Punjab Value Added Tax Act, 2005	Value Added Tax	18.54	2009-10	Punjab and Haryana High Court
Uttar Pradesh Trade Tax Act, 1948	Value Added Tax	1.21	2008-09	Member Tribunal Commercial Tax, Lucknow

- (x) *The accumulated losses of the Company at the end of the current period are not less than fifty percent of its net worth (without adjusting accumulated losses). As explained to us, these are primarily due to provision created (net of reversal) for settlement with the Department of Justice (DOJ) of the United States of America for resolution of civil and criminal allegations by the DOJ (refer to note 8 of the financial statements) in earlier years. The Company has incurred cash losses in the current period, though it had not incurred cash losses in the immediately preceding financial year.*
- (xi) In our opinion, and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers, debentureholders and financial institutions.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi/ mutual benefit fund / society.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.
- (xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has issued letters of comfort and given guarantees for loans taken from banks by subsidiaries and an associate company respectively, are not prejudicial to the interests of the Company.
- (xvi) In our opinion and according to the information and explanations given to us, except for term loans lying unutilised as at 31 March 2014, the term loans taken by the Company have been applied for the purpose for which these were raised.
- (xvii) *According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company as at 31 March 2014, we are of the opinion that short term funds of Rs. 35,175.73 million have been used for long-term purposes primarily on account of accumulated losses including those related to settlement with the DOJ of the United States of America for resolution of civil and criminal allegations by the DOJ (refer to note 8 of the financial statements).*
- (xvii) The Company has not made any preferential allotment of shares during the current period to companies/parties covered in the register maintained under section 301 of the Act.
- (xviii) According to the information and explanations given to us, the Company has not issued debentures during the current period.
- (xix) The Company has not raised any money by public issues during the current period.
- (xxi) *As explained in note 41 c) of the financial statements; during the current period, the Company has written-down carrying amount of inventory by Rs. 424 million, consequent to the findings of an exercise carried out by the management in response to certain internal information received by it. The findings primarily concluded intentional incorrect inventory management of certain intermediate products by certain manufacturing unit level staff resulting in yield mismanagement and consequent incorrect higher quantity of inventories. Being a pharmaceutical quality related technical matter, we have relied on the management's assessment of the said adjustment. As informed to us, appropriate actions have been taken by the Company including strengthening of internal controls. Subject to these comments, according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.*

For B S R & Co. LLP
Chartered Accountants
Registration No. 101248W

Akhil Bansal
Partner
Membership No.: 090906

Place : Gurgaon, India
Dated : 9 May 2014

Consolidated Financial Statements – Indian GAAP

Independent Auditors' Report to the Board of Directors of Ranbaxy Laboratories Limited

1. Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ranbaxy Laboratories Limited ("the Company"), its subsidiaries and associates (collectively referred to as 'the Group') which comprises the Consolidated Balance Sheet as at 31 March 2014, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the fifteen months ended 31 March 2014 ("current period"), and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting policies generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

In our opinion, and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on separate financial statements as noted below, and on consideration of the unaudited financial statements and on other relevant financial information of the components as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2014;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the loss for the fifteen months ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the fifteen months ended on that date.

5. Emphasis of Matter

Without qualifying our opinion, we draw attention to note 39 b) of the consolidated financial statements which explains in detail the prohibition imposed by the Food and Drug Administration of the United States of America on the Toans manufacturing unit of the Company, and the communications received from/ actions taken by other regulators including the Department of Justice of the United States of America and regulators in European Union countries. Consequently, the group has made provisions, to the extent of Rs. 2,733.59 million, on the basis of best information and estimates presently available with the group. The basis and assumptions used by the management in calculating these provisions involve significant judgment and estimates (including those relating to inventories, sales return, trade commitments, realisability of tax assets, etc.). There are inherent uncertainties regarding the future actions of the regulators, the impact of which is not ascertainable at this stage and therefore, the actual amounts may eventually differ.

6. Other Matter

We did not audit the financial statements and other financial information of certain subsidiaries and associates, (interests in which have been incorporated in these consolidated financial statements). These subsidiaries and associates account for 25% of total assets as at 31 March 2014, 35% of total revenue and 29% of net cash outflows, as shown in these consolidated financial statements. Of the above:

- (a) The financial statements and other financial information of some of the subsidiaries incorporated outside India, as drawn up in accordance with the generally accepted accounting principles of those respective countries ("the local GAAP"), have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 22% of total assets as at 31 March 2014, 31% of total revenue and 34% of net cash outflows as shown in these consolidated financial statements. For the purpose of preparation of the consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that these conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to the consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is solely based on the aforesaid audit reports of those other auditors.
- (b) The financial statements and other financial information of the remaining subsidiaries and associates have not been subjected to audit either by us or by other auditors, and therefore, unaudited financial statements for the fifteen months ended 31 March 2014 of these entities have been furnished to us by the management. These subsidiaries and associates account for 3% of total assets as at 31 March 2014, 4% of total revenue and 5% of net cash inflows as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statements, either individually or in the aggregate.

Our opinion is not qualified in respect of this matter.

For **B S R & Co. LLP**
Chartered Accountants
Registration No.: 101248W

Akhil Bansal
Partner
Membership No.: 090906

Place : Gurgaon, India
Dated : 9 May 2014



A global
commitment
towards quality
and patients



ANNUAL REPORT 2013-14

A global commitment towards quality and patients

The credo of 'Quality and Patients First' has become a way of life at Ranbaxy. More than a philosophy to live and work by, it is a global commitment to offer high quality, affordable pharmaceuticals to patients around the world.

While multiple initiatives have been rolled out in pursuit of this maxim, we truly believe that quality means continuous improvement. At Ranbaxy, there is a heightened focus on making quality and compliance the hallmark of all our operations.

We are resolute in our determination to live up to the trust that our stakeholders across the globe have reposed in us and will strive ceaselessly to enhance value for all stakeholders.



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Philosophy

Quality and Patients First

Mission

Enriching lives globally, with quality and affordable pharmaceuticals

Values

- Achieving customer satisfaction is fundamental to our business.
- Provide products and services of the highest quality.
- Practice dignity and equity in relationships and provide opportunities for our people to realise their full potential.
- Ensure profitable growth and enhance wealth of the shareholders.
- Foster mutually beneficial relations with all our business partners.
- Manage our operations with high concern for safety and environment.
- Be a responsible corporate citizen.



Quick Facts

Established
1961

Headquarter
Gurgaon, Haryana, India

Global Presence
Ground operations in 43 countries, products sold in over 150 countries, manufacturing facilities in 8 countries

Employees
~15,300 people represented by more than 50 nationalities

Highlights

53%
Contribution of Emerging Markets to global sales

20
Ranbaxy completed 20 successful years in Russia and Ukraine in 2013

271
International Regulatory Filings made across markets

78
Patents filed in India

1Mn
Over one million patients successfully treated in India by new age anti-malarial drug, Synriam™ since its launch in April 2012

4th
Revital was ranked the 4th largest brand in Indian Pharma Market (*IMS Health MAT March 2014*)

Global Accolades



Synriam™
Assocham Excellence
Platinum Award 2013



Revital
Readers Digest Trusted Brand



Leed India Gold Rating Certificate
Awarded to Ranbaxy Mohali
Divisional Office

Board of Directors

Dr. Tsutomu Une
Chairman

Mr. Akihiro Watanabe

Dr. Anthony H. Wild

Dr. Kazunori Hirokawa

Mr. Percy K. Shroff

Mr. Rajesh V. Shah

Mr. Takashi Shoda

Mr. Arun Sawhney
CEO & Managing Director

COMPANY SECRETARY
Mr. Sushil K. Patawari

REGIONAL HEADQUARTERS

Mumbai [India], Princeton [USA], London [UK]
Johannesburg [South Africa], Bucharest [Romania], Kuala Lumpur [Malaysia]

MARKETING OFFICES

Cameroon, Ukraine, Russia, Vietnam, Lithuania,
Kenya, Lusaka, Cote de Ivoire, Dakar, Myanmar, China,
Kazakhstan, UAE, Bulgaria

STATUTORY AUDITORS

B S R & Co. LLP, Chartered Accountants
Building No. 10, 8th Floor, Tower-B, DLF Cyber City, Phase-II, Gurgaon - 122002,
Haryana [India]

BANKERS

Credit Agricole CIB, Royal Bank of Scotland plc, Citibank NA, Deutsche Bank AG,
The Hongkong & Shanghai Banking Corporation, Punjab National Bank,
Standard Chartered Bank

REGISTERED OFFICE

A-41, Industrial Area Phase - VIII-A, Sahibzada Ajit Singh Nagar, Mohali - 160071,
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Ph: [91-172] 6678666

CORPORATE OFFICE

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Ph: [91-124] 4135000. Fax: [91-124] 4135001

HEAD OFFICE

12th Floor, Devika Tower, 6, Nehru Place, New Delhi - 110019 [India]
Ph: [91-11] 26237508. Fax: [91-11] 26225987

Chairman's Message

Merging competencies, emerging stronger



Dr. Tsutomu Une
Chairman

Dear Valued Shareholders,

I am happy to communicate with you once again on your company. Despite the current economic slowdown, the global demand for generic pharmaceuticals has continued to grow and it is expected to reach 36% of the total global pharmaceutical spending by 2017. At a time when the pharma industry for patented products is growing by only 1-2%, the generics industry is upbeat with double digit growth. This underscores the enormous potential for the generics sector. Ranbaxy, being an established global enterprise in generics, will benefit substantially from this positive trend.

This time, we are reporting your company's performance for a 15-month period from January 2013 to March 2014. This is due to the fact that the company is transitioning its reporting period from calendar year to financial year.

During the period under review, the company recorded consolidated global sales of Rs.130.4 billion. The North America region performed well despite challenges, reflecting a strong growth in the base business. Emerging markets continued their healthy performance. The period also marked the successful completion of 20 years of operations in two of our key markets, Russia and Ukraine.

The domestic market, i.e., India, recorded creditable performance despite the challenges posed by a new pricing system. We received approval from the Indian drug regulator, Central Drugs Standard Control Organisation (CDSCO), to manufacture and market Synriam™ (arterolane maleate and piperaquine phosphate tablet 150+750mg) for the treatment of uncomplicated malaria in adults caused by the *Plasmodium vivax* parasite. This makes Synriam™ one of the few therapies in the world that successfully treats both *Plasmodium vivax* and *Plasmodium falciparum* malaria.

A significant development during the period was the closure of investigation by the US Department of Justice for data integrity and manufacturing processes at certain facilities in India. Under the terms of the final agreement, Ranbaxy and its affiliates agreed to settle by making a total payment of US\$ 0.515 billion in aggregate. However, despite this we continued to face some