Trinity Pharma Proprietary Limited

(Registration number 2003/020397/07)

Annual Financial Statements
for the year ended 31 March 2021

These annual financial statements were prepared by:
Laminin Accounting and Tax
Professional Accountants (SA)

DNL Associates Inc.
Chartered Accountants (SA)
Registered Auditor

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

Issued 16 August 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Registration and marketing of pharmaceuticals
Directors	G.R.N. Simaan S. Kahanovitz V. Kumar V. Rajasekar R. Garella
Registered office	106 16th Road Midrand Johannesburg South Africa 1686
Business address	106 16th Road Midrand Johannesburg South Africa 1686
Postal address	PO Box 68687 Bryanston Johannesburg South Africa 2021
Holding company	Strides Pharma Asia Pte Ltd incorporated in Singapore
Ultimate holding company	Strides Pharma Science Ltd (a company listed on the National Stock Exchange of India Limited and the BSE Limited) incorporated in India
Bankers	Bidvest Bank First National Bank
Auditors	DNL Associates Inc. Chartered Accountants (SA) Registered Auditor
Tax reference number	9676714141
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Contents

Signature: Selwyn Kahanovitz
Selwyn Kahanovitz (Aug 15, 2021 20:24 GMT+2)

Email: selwyn.kahanovitz@kahmagroup.co.za

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards 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, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual 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 March 2022 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 7.

The annual financial statements set out on pages 9 to 50, which have been prepared on the going concern basis, were approved by the board of directors on 16 August 2021 and were signed on their behalf by:

Approval of financial statements

	Selwyn Kahanovitz
Director	**Director**

Johannesburg

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Trinity Pharma Proprietary Limited for the year ended 31 March 2021.

1. Nature of business

Trinity Pharma Proprietary Limited was incorporated in South Africa with interests in the registration and marketing of pharmaceutical products industry.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. 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 annual financial statements.

3. Share capital

	2021	2020	2021	2020
Issued	**Percentage held**		**Number of shares**	
Strides Pharma Asia Pte Ltd	51.76 %	51.76 %	748	748
Kahma Healthcare Group Proprietary Limited	- %	28.24 %	-	408
Juno Pharma South Africa Proprietary Limited	28.24 %	- %	408	-
Asaco Trinity Proprietary Limited	20.00 %	20.00 %	289	289
	100.00 %	**100.00 %**	**1 445**	**1 445**

The shares previously held by Kahma Healthcare Group Proprietary Limited was transferred to Juno Pharma South Africa Proprietary Limited on the 31st of December 2020 in terms of an internal restructure at Kahma Healthcare.

4. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act of South Africa. As this general authority remains valid only until the next AGM, the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares, under the control of the directors until the next AGM.

5. Dividends

No dividends were declared or paid to shareholders during the year.

6. Interests in subsidiaries

Details of material interests in subsidiaries are presented in the annual financial statements in note 5.

Directors' Report

7. Directorate

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

Directors	Changes
G.R.N. Simaan	
S. Kahanovitz	
V. Kumar	
V.K. Singh	Resigned 15 July 2020
V. Rajasekar	Appointed 15 July 2020
A.J. Metha	Resigned 23 June 2021
R. Garella	Appointed 23 June 2021

8. Directors' interests in shares

As at 31 March 2021, the directors of the company held direct and indirect beneficial interests consisting of 10% (2020: 10%) of its issued ordinary shares.

The register of interests of directors and others in shares of the company is available to the shareholders on request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

9. Holding company

The company's holding company is Strides Pharma Asia Pte Ltd which holds 51.76% (2020: 51.76%) of the company's equity. Strides Pharma Asia Pte Ltd is incorporated in Singapore.

10. Ultimate holding company

The company's ultimate holding company is Strides Pharma Science Ltd (a company listed on the National Stock Exchange of India Limited and the BSE Limited) which is incorporated in India.

11. Consolidation

Consolidated financial statements are prepared by the ultimate holding company on a group level.

12. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

13. Events after the reporting period

The board is aware of the COVID-19 pandemic as well as the country's downgrade to sub-investment grade. The pandemic is considered to be a non-adjusting event and there is no immediate concern around going concern. The company has performed a re-forecast in light of the Coronavirus outbreak and have forecasted that the company will generate profits after taxation in the next financial year. The impact of the Coronavirus and the downgrade will be closely monitored and assessed for its impact on the business.

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

Registration Number: 2013/186618/21 • SAICA Firm Number: 08258422 • IRBA Practice Number: 902003
Directors: AJJ de Lange - B.Com(Hons), M.Com(Tax), CA(SA), RA • JH Coetzer - B.Com(Hons), CA(SA), RA
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Independent Auditor's Report

To the Shareholders of Trinity Pharma Proprietary Limited

Opinion

We have audited the annual financial statements of Trinity Pharma Proprietary Limited (the company) set out on pages 9 to 46, which comprise the statement of financial position as at 31 March 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Trinity Pharma Proprietary Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 Annual 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 annual 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 "Trinity Pharma Proprietary Limited annual financial statements for the year ended 31 March 2021", which includes the Directors' Report as required by the Companies Act of South Africa and the supplementary information as set out on pages 47 to 50. The other information does not include the annual financial statements and our auditor's report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Annual Financial Statements

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

In preparing the annual 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.

Auditor's Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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.

Date: 16 August 2021

DNL Associates Inc.
A.J.J. de Lange
Director
Chartered Accountants (SA)
Registered Auditor

280 Brooks Street
Brooklyn
Pretoria
South Africa
0181

ACCOUNTING AND TAX

Practitioner's Compilation Report

To the Shareholders of Trinity Pharma Proprietary Limited

We have compiled the annual financial statements of Trinity Pharma Proprietary Limited, as set out on pages 9 to 46, based on information you have provided. These annual financial statements comprise the statement of financial position of Trinity Pharma Proprietary Limited as at 31 March 2021, statement of profit or loss and other 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 annual financial statements in accordance with International Financial Reporting Standards. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These annual 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 annual financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these annual financial statements are prepared in accordance with International Financial Reporting Standards.

MVeenhuyzen

Laminin Accounting and Tax
Director: M. van Veenhuyzen
Professional Accountant (SA)

Date: 16 August 2021

FinTech Campus
81 Botterklapper Street
The Willows
Pretoria
0081

Statement of Financial Position as at 31 March 2021

	Note(s)	2021 R	2020 R
Assets			
Non-Current Assets			
Property, plant and equipment	3	318 273	285 942
Intangible assets	4	35 734 048	25 903 611
Investments in subsidiaries	5	1 559 673	1 559 673
Loans to group companies	6	204 987	221 468
Deferred tax	7	20 215	225 869
		37 837 196	**28 196 563**
Current Assets			
Inventories	8	69 939 086	50 626 100
Work in progress and receivables	9	3 818 247	2 127 528
Trade and other receivables	10	62 459 042	62 753 106
Current tax receivable	11	1 287 538	209 731
Cash and cash equivalents	12	12 026 492	5 940 568
		149 530 405	**121 657 033**
Total Assets		**187 367 601**	**149 853 596**
Equity and Liabilities			
Equity			
Share capital	13	24 032 227	24 032 227
Retained income		23 479 846	7 690 934
		47 512 073	**31 723 161**
Liabilities			
Non-Current Liabilities			
Loans from shareholders	14	12 106 789	4 510 939
Other financial liabilities	15	5 371	68 261
		12 112 160	**4 579 200**
Current Liabilities			
Trade and other payables	17	105 680 404	99 736 680
Other financial liabilities	15	62 051	11 581 576
Contract liabilities	18	4 958 266	1 935 528
Provisions	19	1 454 808	297 451
Revolving bank facility	12	15 587 839	-
		127 743 368	**113 551 235**
Total Liabilities		**139 855 528**	**118 130 435**
Total Equity and Liabilities		**187 367 601**	**149 853 596**

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2021 R	2020 R
Revenue	20	300 861 839	244 471 795
Cost of sales		(256 112 947)	(209 210 480)
Gross profit		**44 748 892**	**35 261 315**
Other operating income	21	5 795	765 379
Other operating gains	22	86 894	5 009 947
Other operating expenses		(19 541 972)	(15 704 348)
Operating profit	23	**25 299 609**	**25 332 293**
Investment income	24	31 549	58 697
Finance costs	25	(3 398 140)	(1 968 640)
Profit before taxation		**21 933 018**	**23 422 350**
Taxation	26	(6 144 109)	(6 050 966)
Profit for the year		**15 788 909**	**17 371 384**
Other comprehensive income		-	-
Total comprehensive income for the year		**15 788 909**	**17 371 384**

Statement of Changes in Equity

	Share capital R	Share premium R	Total share capital R	Retained income R	Total equity R
Balance at 01 April 2019	**1 445**	**24 030 782**	**24 032 227**	**(9 680 450)**	**14 351 777**
Profit for the year	-	-	-	17 371 384	17 371 384
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**17 371 384**	**17 371 384**
Balance at 01 April 2020	**1 445**	**24 030 782**	**24 032 227**	**7 690 937**	**31 723 164**
Profit for the year	-	-	-	15 788 909	15 788 909
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**15 788 909**	**15 788 909**
Balance at 31 March 2021	**1 445**	**24 030 782**	**24 032 227**	**23 479 846**	**47 512 073**
Note(s)	13	13	13		

Trinity Pharma Proprietary Limited

(Registration number 2003/020397/07)
Annual Financial Statements for the year ended 31 March 2021

Statement of Cash Flows

	Note(s)	2021 R	2020 R
Cash flows from operating activities			
Cash receipts from customers		306 468 768	229 170 053
Cash paid to suppliers and employees		(290 622 603)	(210 637 472)
Cash generated from operations	27	15 846 165	18 532 581
Interest income		31 549	58 697
Finance costs		(3 398 140)	(1 968 634)
Tax paid	28	(7 016 262)	(7 160 068)
Net cash from operating activities		**5 463 312**	**9 462 576**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(176 301)	(109 696)
Sale of property, plant and equipment	3	(1)	25 356
Purchase of other intangible assets	4	(10 931 842)	(12 561 561)
Sale of intangible assets	4	113 001	-
Loans advanced to group companies		16 481	(33 820)
Net cash from investing activities		**(10 978 662)**	**(12 679 721)**
Cash flows from financing activities			
Repayment of other financial liabilities		(11 582 415)	(6 607 176)
Proceeds from loans from shareholders		7 595 850	4 510 939
Net cash from financing activities		**(3 986 565)**	**(2 096 237)**
Total cash movement for the year		**(9 501 915)**	**(5 313 382)**
Cash at the beginning of the year		5 940 568	11 253 950
Total cash at end of the year	12	**(3 561 347)**	**5 940 568**

Accounting Policies

Corporate information

Trinity Pharma Proprietary Limited is a private company incorporated and domiciled in South Africa.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements, key assumptions and other sources of estimation uncertainty in applying accounting policies

The critical judgements made by management, key assumptions and other sources of estimation uncertainty in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Intangible assets

Indefinite useful life intangible assets
Significant judgement is needed by management when determining the classification of intangible assets as finite or indefinite useful life assets. An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate future economic benefits for the company.

In the prior year, management transferred all previous indefinite useful life intangible assets to finite useful life intangible assets as part of their adoption of International Financial Reporting Standards and to be in line with the Strides Group's policies.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives
The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles and maintenance programmes. Management has made certain estimates with regards to the determination of estimated useful lives of intangible assets, as disclosed further in accounting policy note 1.4 - Intangible assets.

Impairment
Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are impairment indicators. Impairment testing is performed by comparing the recoverable amount to the carrying amount of the intangible asset. The recoverable amounts of the intangible assets are determined as the higher of value-in-use and fair value less costs to sell.

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering a period of up to eight years and are extrapolated over the useful life of the asset to reflect the long-term plans of the company using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are pre-tax based on an assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.
Management determines the expected performance of the assets based on the following:
- an assessment of existing products against past performance and market conditions;
- an assessment of existing products against existing market conditions; and
- the pipeline of products under development, applying past experiences of launch success and existing market conditions.

Amortisation rates and residual values
The company amortises its assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles and maintenance programmes. Significant judgement is applied by management when determining the residual values for intangible assets. Only in the event of contractual obligations in terms of which a termination consideration is payable to the company will management apply a residual value to the intangible asset.

Impairment of investments held at cost

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount which is higher of an asset's or cash generating unit's (CGU) fair value less cost of disposal (FVLCD) and its value in use (VIU). These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

In calculating VIU, the estimated future cash flows are discounted to their present value using a after-tax discount rate that reflects current market assessments of the time value of money and the risks spesific to the asset/CGU. Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transaction can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in FVLCD calculations.

For the key model inputs used in determining the recoverable amount refer to note 5. Impairment losses of investments are recognised in the statement of profit or loss and other comprehensive income.

1.3 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 year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

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 year 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
Furniture and fixtures	Straight line	6 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	5 years

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

Accounting Policies

1.3 Property, plant and equipment (continued)

Where major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to the components and they are depreciated separately over each component's useful life.

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.

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Research and development costs are recognised as an expense in the period incurred.

Finite intangible assets are recognised at cost and amortised on a straight-line basis over their estimated remaining useful lives. Estimated useful lives are reviewed annually.

Development costs: expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised. Expenditure incurred to extend the term of the patents or trademarks is capitalised. All other expenditure is charged to the statement of comprehensive income when incurred. Development costs are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met.

Accounting Policies

1.4 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Trademarks	Straight line	20 years
Dossiers	Straight line	20 years
Business models	Straight line	10 years
Computer software	Straight line	3 years

1.5 Investments in subsidiaries

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

The company is not required to prepare consolidated annual financial statements because the ultimate parent company, Strides Pharma Science Ltd (formerly Strides Shasun Limited), publishes consolidated annual financial statements in accordance with Generally Accepted Accounting Practice in India.

1.6 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:
- Amortised cost; or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 31 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

Accounting Policies

1.6 Financial instruments (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to group companies (note 6) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Loans denominated in foreign currencies

When a loan receivable is denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 22).

Details of foreign currency risk exposure and the management thereof are provided in the specific notes.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 10).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Accounting Policies

1.6 Financial instruments (continued)

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Borrowings and loans from related parties

Classification

Loans from group companies (note 6), loans from shareholders (note 14) and borrowings (note 15) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 25.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses) (note 22).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 31).

Accounting Policies

1.6 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 25).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to note 15.

When a financial liability is contingent consideration in a business combination, the company classifies it as a financial liability at fair value through profit or loss. Refer to note 15.

The company, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss. Refer to note 15 for details.

Accounting Policies

1.6 Financial instruments (continued)

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses) (note 22).

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the company's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs (note 25).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Accounting Policies

1.6 Financial instruments (continued)

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Offsetting of financial instruments

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

1.7 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.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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.

Accounting Policies

1.7 Tax (continued)

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Withholding taxes

Witholding taxes are withheld by foreign countries on foreign-sourced income. Excess foreign tax credits may be carried forward to the succeeding year in which it will be available for set-off against taxable income from foreign sources in that year.

1.8 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Accounting Policies

1.9 Inventories (continued)

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventory acquired from Heraeus Medical GmbH (Germany) is measured on the retail method in terms of an Exclusive Distribution Agreement whereby the cost of inventory is adjusted every year based on actual sales and related costs for that year.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.10 Work in progress and receivables

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.11 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

1.12 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.

Accounting Policies

1.12 Share capital and equity (continued)

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 company in which they are declared.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

1.14 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.15 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer. Revenue is stated at the invoice amount and is exclusive of value added taxation.

Revenue is recognised based on the completion of performance obligations and an assessment of when control is transferred to the customer.

The following indicators are used by the company in determining when control has passed to the customer:
- the company has a right to payment for the product or service;
- the customer has legal title to the product;
- the company has transferred physical possession of the product to the customer;
- the customer has the significant risk and rewards of ownership of the product; and
- the customer has accepted the product.

Accounting Policies

1.15 Revenue from contracts with customers (continued)

Revenue is measured based on the consideration specified in a contract with a customer and in compliance with legislated pricing. The company evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a net basis:

- the company is primarily responsible for fulfilling the promise to provide the specified goods or service;
- the company has inventory risk before the specified goods or service has been transferred to a customer or after transfer of control to the customer; and
- the company has discretion in establishing the price for the specified goods or service, excluding pricing set according to regulations.

No significant element of financing is deemed present as the sales are made with credit terms less than one year.

The company recognises revenue from the following major sources:

Sale of goods

Revenue is recognised at a point in time when control of the products supplied has transferred, being when the products are delivered to the customer. Delivery occurs when the products has been dispatched to the specific location, the risks of obsolescence and loss have been transferred and the customer accepted the products in accordance with the sales contract. Revenue is recorded at the price specified in the contract in compliance with regulated pricing in regulated markets, net of discounts and value added tax. Revenue and receivables are recorded when control of the products are transferred as this is the point in time that the consideration is unconditional as only the passage of time is required before payment is due.

Co-marketing fees

Co-marketing fees are revenue that the company receives in exchange for providing a service to arrange specified sales of speciality, branded and generic pharmaceuticals to a customer. Revenue is based on an upfront agreed upon fee driven by sales volumes. The sales volumes are products delivered at a point in time to customers. Revenue and receivables are recorded on co-marketing fees when performance obligations according to the contract for arranging sales to customers have been met and the products have been delivered to the customer. Delivery occurs when the products have been dispatched to the specific location, the risks of obsolescence and loss have been transferred and the customer accepted the goods in accordance with the co-marketing agreement.

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.17 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.18 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:
- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Exchange rates at year end were:
1 USD = R14.8349
1 EUR = R17.7374
1 GBP = R20.5206

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	01 January 2020	The impact of the amendment is not material.
• Definition of a business - Amendments to IFRS 3	01 January 2020	The impact of the amendment is not material.
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the amendment is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	Unlikely there will be a material impact
• COVID-19 - Related Rent Concessions - Amendments to IFRS 16	01 June 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

3. Property, plant and equipment

	2021			2020		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	47 491	(32 552)	14 939	68 893	(48 216)	20 677
Motor vehicles	304 064	(240 362)	63 702	304 064	(179 494)	124 570
Office equipment	193 255	(105 598)	87 657	233 798	(185 738)	48 060
IT equipment	356 060	(231 855)	124 205	283 500	(228 861)	54 639
Leasehold improvements	50 884	(23 121)	27 763	50 884	(12 895)	37 989
Text books	21 327	(21 320)	7	21 327	(21 320)	7
Total	**973 081**	**(654 808)**	**318 273**	**962 466**	**(676 524)**	**285 942**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals / scrappings	Depreciation	Total
Furniture and fixtures	20 677	-	(9)	(5 729)	14 939
Motor vehicles	124 570	-	-	(60 868)	63 702
Office equipment	48 060	67 586	(3)	(27 986)	87 657
IT equipment	54 639	108 715	(12)	(39 137)	124 205
Leasehold improvements	37 989	-	-	(10 226)	27 763
Text books	7	-	-	-	7
	285 942	**176 301**	**(24)**	**(143 946)**	**318 273**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	26 552	-	-	(5 875)	20 677
Motor vehicles	185 437	-	-	(60 867)	124 570
Office equipment	64 911	4 295	-	(21 146)	48 060
IT equipment	56 102	75 997	(20 769)	(56 691)	54 639
Leasehold improvements	17 535	29 404	-	(8 950)	37 989
Text books	7	-	-	-	7
	350 544	**109 696**	**(20 769)**	**(153 529)**	**285 942**

Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the secured long-term borrowings:

Wesbank financing / Bookvalue of vehicle	63 702	124 570

Refer to note 15 and 16 for details of property, plant and equipment encumbered as security for borrowings.

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

Registers with details of property, plant and equipment are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

4. Intangible assets

	2021			2020		
	Cost / Valuation	**Accumulated amortisation and impairments**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and impairments**	**Carrying value**
Trademarks	8 040	(2 016)	6 024	8 040	(1 461)	6 579
Business models	600 000	(545 322)	54 678	600 000	(485 209)	114 791
Computer software	-	-	-	14 400	(14 399)	1
Dossiers	36 770 899	(1 097 553)	35 673 346	26 325 149	(542 909)	25 782 240
Total	**37 378 939**	**(1 644 891)**	**35 734 048**	**26 947 589**	**(1 043 978)**	**25 903 611**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals / scrappings	Amortisation and impairments	Total
Trademarks	6 579	-	-	(555)	6 024
Business models	114 791	-	-	(60 113)	54 678
Computer software	1	-	(1)	-	-
Dossiers	25 782 240	10 931 842	(119 000)	(921 736)	35 673 346
	25 903 611	**10 931 842**	**(119 001)**	**(982 404)**	**35 734 048**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation and impairments	Total
Trademarks	7 135	-	-	(556)	6 579
Business models	174 904	-	-	(60 113)	114 791
Computer software	1	-	-	-	1
Dossiers	13 763 588	12 561 561	-	(542 909)	25 782 240
	13 945 628	**12 561 561**	**-**	**(603 578)**	**25 903 611**

Notes to the Annual Financial Statements

	2021 R	2020 R

4. Intangible assets (continued)

Capitalised expenditure on dossiers

In line with Strides' group policy, only license and regulatory body registration costs are to be capitalised against dossiers and all other costs are expensed when incurred.

A number of dossiers have not yet been brought into use at year end and therefore no amortisation has been provided on these intangible assets.

5. Investments in subsidiaries

Name of company	% holding 2021	% holding 2020	Carrying amount 2021	Carrying amount 2020
Apollo Life Sciences Holdings Proprietary Limited	100.00 %	100.00 %	1 559 673	1 559 673

The subsidiary is incorporated in South Africa and shares the year end of the company.

The carrying amounts of subsidiaries are shown net of impairment losses.

Impairment testing: investment in Apollo Life Sciences Holdings Proprietary Limited - information about key sources of estimation uncertainty

The company based its impairment calculation on detailed budgets and forecasts based on management's and the group's expectations of revenue and growth. The estimated cash flows are based on expected future contracted revenue, operating costs, staff costs and capital expenditure. At year end the company assessed the investment and found the carrying amount to be reasonable.

The following were the key model inputs used in determining the recoverable amount:
- assumed discount rate of 20%;
- assumed long-term sustainable growth rate of 7%.

In 2018 an impairment charge of R19 461 359 arose on the investment in Apollo Life Sciences Holdings Proprietary Limited resulting in its carrying amount of R21 021 032 being written down to a recoverable amount of R1 559 673.

No further impairment was deemed necessary in the current year.

6. Loans to group companies

Subsidiaries

	2021 R	2020 R
Apollo Life Sciences Holdings Proprietary Limited	204 987	221 468

The loan is unsecured and interest free with no fixed terms of repayment. Repayment has been deferred for at least 12 months. The loan has been subordinated in favour of Apollo Life Sciences Holdings Proprietary Limited's creditors until such time that its fairly valued assets exceeds its fairly valued liabilities.

Notes to the Annual Financial Statements

	2021 R	2020 R
7. Deferred tax		
Deferred tax liability		
Allowance for future expenditure (s24C)	(1 180 067)	(460 656)
Work in progress	(512 630)	-
Prepayments	(136 249)	(47 154)
Total deferred tax liability	**(1 828 946)**	**(507 810)**
Deferred tax asset		
Employee provisions	407 346	82 913
Deferred income	1 388 314	541 948
Provision for stock impairments	53 501	7 656
Work in progress (excluding prior portion not provided)	-	101 162
Total deferred tax asset	**1 849 161**	**733 679**

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

	2021 R	2020 R
Deferred tax liability	(1 828 946)	(507 810)
Deferred tax asset	1 849 161	733 679
Total net deferred tax asset	**20 215**	**225 869**
Reconciliation of deferred tax asset / (liability)		
At beginning of year	225 869	234 254
Movement in temporary differences	(205 654)	(21 965)
Prior year correction	-	13 580
	20 215	**225 869**

	2021 R	2020 R
8. Inventories		
Pharmaceutical products - third parties	28 581 101	26 325 445
Pharmaceutical products - Trinity Pharma	38 147 936	16 403 691
Goods in transit	3 401 125	7 924 304
	70 130 162	50 653 440
Inventories (write-downs)	(191 076)	(27 340)
	69 939 086	**50 626 100**

Inventory held for third parties

The inventory held for third parties are owned by the company. They are however separately managed and controlled in terms of the agreement with third parties on whose behalf the inventory is sold.

Notes to the Annual Financial Statements

	2021 R	2020 R

8. Inventories (continued)

Inventory pledged as security

Inventory was pledged as security for the Investec Bank Ltd's trade facility in terms of a General Notarial Bond. At period end the facility had a balance of R nil (2020: R nil). The total facility available is R5 000 000.

9. Work in progress and receivables

	2021 R	2020 R
Work in progress and receivables	3 818 247	2 127 528

Advances received in excess of work completed are included in trade and other payables.

10. Trade and other receivables

	2021 R	2020 R
Financial instruments:		
Trade receivables	59 374 901	60 846 754
Creditors with debit balances	380 860	931 274
Loss allowance	-	-
Trade receivables at amortised cost	59 755 761	61 778 028
Deposits	1 184	400 542
Staff loans	7 000	6 500
Non-financial instruments:		
VAT	2 208 490	399 628
Prepayments	486 607	168 408
Total trade and other receivables	**62 459 042**	**62 753 106**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Customer credit risk is managed according to the Company’s established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored and followed up. At year end 4.5% of the total balances outstanding were outstanding for longer than 60 days with no balance greater than R660 000 and no doubt exist regarding the collectibility of these balances.

An impairment analysis is performed at each reporting date using a single loss rate based on an assessment of the Group's historical bad debts and the company's own historical bad debts. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as it has a large number of unrelated customers from various industries, operating independently in the market.

Based on this and the historical data which reflects that no amounts have been impaired on trade receivables over the past 5 years, the single loss rate were determined as nil% and as a result the Expected Credit Loss allowance is Rnil.

There have not been any notable observable changes in payment behaviour nor to the economic environment of our customers.

Notes to the Annual Financial Statements

	2021 R	2020 R

10. Trade and other receivables (continued)

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for the Investec Bank Ltd's trade facility in terms of a first cession of the debtors book. At period end the facility had a balance of R nil (2020: R nil). The total facility available is R5 000 000.

11. Current tax receivable

The current tax asset includes taxes withheld from foreign countries on foreign-sourced income. Excess foreign tax credits may be carried forward to the succeeding year in which it will be available for set-off against taxable income from foreign sources in that year (refer to the tax computation on page 49).

12. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021 R	2020 R
Cash on hand	2 766	5 906
Bank balances	12 023 726	5 908 515
Credit cards	(25 146)	26 147
Investec Bank Ltd - general banking facility	(15 562 693)	-
	(3 561 347)	**5 940 568**

	2021 R	2020 R
Current assets	12 026 492	5 940 568
Current liabilities	(15 587 839)	-
	(3 561 347)	**5 940 568**

Bank balances includes the following foreign denominated bank accounts:

	2021	2020
USD	$ 265	$ 265
GBP	£ 258	£ 258

The Investec Bank Ltd - general banking facility is repayable on demand and bears interest at the prime rate (7% at year end).

Secured by:
- Letter of Support/guarantee from the shareholders in line with their pro-rata shareholding in the company (thus Strides' guarantee limited to R10 352 000);
- Limited personal guarantee by the director GRN Simaan – limited to R1 500 000;
- A general notarial bond over inventory amounting to R30 000 000;
- Primary cession of the debtors' book.

Notes to the Annual Financial Statements

	2021 R	2020 R

13. Share capital

Authorised		
4 000 Ordinary shares of R1 each	4 000	4 000

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued		
1 445 Ordinary shares of R1 each	1 445	1 445
Share premium	24 030 782	24 030 782
	24 032 227	**24 032 227**

14. Loans from shareholders

Strides Pharma Asia Pte Ltd	6 217 994	2 396 381
Asaco Trinity Proprietary Limited	2 423 964	797 687
Kahma Healthcare Group Proprietary Limited	-	1 316 871
Juno Pharma South Africa Proprietary Limited	3 464 831	-
	12 106 789	**4 510 939**

During July 2019 the company obtained loan funding from its shareholders in order to meet its business requirements. These loans are unsecured and bears interest at the prime rate (between 10.25% and 8.75% during the year). During January 2021 the original loans were settled in full including interest. Further loans were obtained from the shareholders during June 2020 on similar terms. The loans are repayable within 2 years of the Effective Date; no repayment is due within the next 12 months. The loan from Strides Pharma Asia Pte Ltd was approved by the South African Reserve Bank.

In terms of an internal restructuring by Kahma Healthcare Group Proprietary Limited, the shares held by Kahma was sold to Juno SA including the loan to the company, whereafter all the assets of Juno SA was distributed as a liquidation distribution to Westrate (in accordance with Section 47of the Income Tax Act No.58 of 1962). The effective date of the restructuring was 31 December 2020, resulting in Juno SA being the owner of the shareholder's loan.

Split between non-current and current portions

Non-current liabilities	12 106 789	4 510 939

Notes to the Annual Financial Statements

	2021 R	2020 R
15. Other financial liabilities		
At amortised cost		
Deferred purchase creditor: GRN Simaan	-	11 524 767
On 12 December 2017 Trinity Pharma Proprietary Limited obtained an additional 75% interest in Apollo Life Sciences Holdings Proprietary Limited for a consideration subject to future earnout clauses. During the current year the last of the earnout payment was made and the liability has been settled in full.		
WesBank finance - motor vehicle	67 422	125 070
The loan bears interest at the prime rate and is repayable in 13 monthly instalments (2020: 25 instalments) of R5 618.84 (2020: R5 618.84). Secured by a motor vehicle with a book value of R63 702 (2020: R124 570 (refer to note 3).		
	67 422	**11 649 837**
Split between non-current and current portions		
Non-current liabilities	5 371	68 261
Current liabilities	62 051	11 581 576
	67 422	**11 649 837**

16. Leases (company as lessee)

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2021 R	2020 R
Within one year	71 117	67 605
Two to five years	-	73 239
	71 117	140 844
Less finance charges component	(3 695)	(15 759)
Present value of minimum lease payments	**67 422**	**125 085**

The finance lease is in respect of a motor vehicle with a lease term of 5 years and the borrowing rate is linked to prime at the contract date.

Notes to the Annual Financial Statements

	2021 R	2020 R

17. Trade and other payables

	2021 R	2020 R
Financial instruments:		
Trade payables	86 544 783	89 059 227
Amounts due to related parties	14 948	1 688
Accrual for stock received not yet invoiced	1 292 530	3 475 208
Employees taxes	280 972	252 939
Accrued expenses	2 872 697	1 349 460
Royalties fees	13 708 724	5 540 245
Other payables	965 750	57 913
	105 680 404	**99 736 680**

18. Contract liabilities

Summary of contract liabilities

	2021 R	2020 R
Unearned revenue	4 958 266	1 935 528

19. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Total
Bonus provision	-	902 740	-	902 740
Employee related provisions	297 451	570 703	(316 086)	552 068
	297 451	**1 473 443**	**(316 086)**	**1 454 808**

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Employee related provisions	293 027	297 451	(293 027)	297 451
Provision for contractual marketing spent	292 402	-	(292 402)	-
	585 429	**297 451**	**(585 429)**	**297 451**

20. Revenue

	2021 R	2020 R
Revenue from contracts with customers		
Sale of goods	273 785 741	197 720 374
Rendering of services	2 712 300	4 291 190
Sales as agent for third parties	24 363 798	42 460 231
	300 861 839	**244 471 795**

Notes to the Annual Financial Statements

		2021 R	2020 R

21. Other operating income

		2021 R	2020 R
Skills development refunds		5 795	23 021
Recovery of marketing expenses		-	742 358
		5 795	**765 379**

22. Other operating gains (losses)

		2021 R	2020 R
Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	3	(25)	4 587
Intangible assets	4	(6 000)	-
		(6 025)	**4 587**
Foreign exchange gains			
Net foreign exchange gains		92 919	1 956 323
Fair value gains			
Financial liability - Deferred purchase creditor: GRN Simaan	15	-	3 049 037
Total other operating gains		**86 894**	**5 009 947**

23. Operating profit

Operating profit for the year is stated after charging (crediting) the following, amongst others:

	2021 R	2020 R
Auditor's remuneration - external		
Fees (current year includes interim fee)	308 635	157 773
Accounting, tax, secreterial and other services	74 670	72 689
	383 305	**230 462**

Employee costs

	2021 R	2020 R
Salaries, wages, bonuses and other benefits	13 068 572	10 149 011

Notes to the Annual Financial Statements

	2021 R	2020 R
23. Operating profit (continued)		
Leases		
Operating lease charges		
Premises	471 856	409 139
Equipment	2 200	-
Other operating lease	4 400	-
	478 456	**409 139**
Depreciation and amortisation		
Depreciation of property, plant and equipment	143 946	153 529
Amortisation of intangible assets	982 405	603 577
Total depreciation and amortisation	**1 126 351**	**757 106**
24. Investment income		
Shareholders	5 537	-
Bank	26 012	43 915
SARS - overpayment of taxes	-	14 782
Total investment income	**31 549**	**58 697**
25. Finance costs		
Bank overdraft	826 434	-
Director's loan	32 705	-
Shareholders	930 595	299 452
Non-current borrowings (present value of interest free loan)	-	1 276 824
Lease liabilities	7 417	15 508
Current borrowings (trade financing and debtors discounting)	1 600 989	376 856
Total finance costs	**3 398 140**	**1 968 640**
26. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	5 938 455	6 042 581
Deferred		
Local deferred tax - current period	205 654	21 964
Arising from prior period adjustments	-	(13 579)
	205 654	**8 385**
	6 144 109	**6 050 966**

Notes to the Annual Financial Statements

26. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense

	2021 R	2020 R
Accounting profit	21 933 018	23 422 350
Tax at the applicable tax rate of 28% (2020: 28%)	6 141 245	6 558 258
Tax effect of adjustments on taxable income		
Depreciation on leasehold improvements	2 864	2 506
Unwinding of contingent consideration payable (interest)	-	(496 220)
Prior year corrections	-	(13 578)
	6 144 109	**6 050 966**
Unused capital tax losses for which no deferred tax asset has been recognised	19 461 360	19 461 360

27. Cash generated from operations

	2021 R	2020 R
Profit before taxation	21 933 018	23 422 350
Adjustments for:		
Depreciation and amortisation	1 126 351	757 106
Losses (gains) on disposals, scrappings and settlements of assets and liabilities	6 025	(4 587)
Gains on foreign exchange	(92 919)	(1 956 323)
Interest income	(31 549)	(58 697)
Finance costs	3 398 140	1 968 640
Fair value gains	-	(3 049 037)
Movements in provisions	1 157 357	(287 978)
Changes in working capital:		
Inventories	(19 312 986)	(11 446 205)
Trade and other receivables	294 064	(15 708 296)
Work in progress and receivables	(1 690 719)	(46 642)
Trade and other payables	6 036 645	23 006 722
Contract liabilities	3 022 738	1 935 528
	15 846 165	**18 532 581**

28. Tax paid

	2021 R	2020 R
Balance at beginning of the year	209 731	(907 756)
Current tax for the year recognised in profit or loss	(5 938 455)	(6 042 581)
Balance at end of the year	(1 287 538)	(209 731)
	(7 016 262)	**(7 160 068)**

Notes to the Annual Financial Statements

29. Directors' emoluments

Executive

2021

Directors' emoluments	**Basic salary**	**Expense re-imbursement**	**Total**
Services as director or prescribed officer			
G.R.N. Simaan	2 103 577	44 311	2 147 888

2020

Directors' emoluments	**Basic salary**	**Expense re-imbursement**	**Total**
Services as director or prescribed officer			
G.R.N. Simaan	2 013 390	77 922	2 091 312

30. Related parties

Relationships

Ultimate holding company	Strides Pharma Science Ltd (a company listed on the National Stock Exchange of India Limited and the BSE Limited)
Holding company	Strides Pharma Asia Pte Ltd
Subsidiaries	Refer to note 5
Common control of directors	Kahma Healthcare Group Proprietary Limited (S. Kahanovitz) Asaco Trinity Proprietary Limited (GRN Simaan)
Fellow subsidiaries and associates	Other entities related to Strides Group Other entities related to Kahma Group
Members of key management	Refer to Directors' Report

Notes to the Annual Financial Statements

	2021 R	2020 R
30. Related parties (continued)		
Related party balances		
Loan accounts - Owing (to) by related parties		
Purchase Creditor: GRN Simaan (for interest in Apollo Life Sciences Holdings Proprietary Limited)	-	(11 524 767)
Apollo Life Sciences Holdings Proprietary Limited	204 987	221 468
Strides Pharma Asia Pte Ltd	(6 217 994)	(2 396 381)
Asaco Trinity Proprietary Limited	(2 423 964)	(797 687)
Kahma Healthcare Group Proprietary Limited	-	(1 316 871)
Juno Pharma South Africa Proprietary Limited	(3 464 831)	-
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Apollo Life Sciences Holdings Proprietary Limited - trade payable	(952)	(952)
Apollo Life Sciences Holdings Proprietary Limited - trade receivable	71 908	71 908
Apollo Life Sciences Holdings Proprietary Limited - intercompany account	(14 948)	(1 688)
Arco Lab Private Limited (India)	(66 831)	-
GRN Simaan	(1 221)	-
Strides Pharma (SA) Proprietary Limited, South Africa - trade payable	(1 517 355)	-
Strides Pharma (SA) Proprietary Limited, South Africa - trade receivable	1 097 836	97 699
Strides Pharma Global Pte Ltd - trade payable	(471 632)	(2 032 007)
Strides Pharma Global Pte Ltd - trade receivable	49 269	91 150
Strides Pharma Asia Pte Ltd - trade payable	(39 437)	-
Strides Pharma Asia Pte Ltd - trade receivable	7 781	-
Juno Pharma South Africa Proprietary Limited	37 948	30 781
The Vaccine Bureau Proprietary Limited - trade payable	(11 321)	(57 073)
The Vaccine Bureau Proprietary Limited - trade receivable	6 153	-
K2 Medical Proprietary Limited	(167 614)	(141 850)
Kahma Biotech Proprietary Limited	-	(292)
Related party transactions		
Interest and corporate guarantees to (from) related parties		
Kahma Healthcare Group Proprietary Limited	180 257	86 394
Asaco Trinity Proprietary Limited	183 026	52 333
Strides Pharma Asia Pte Ltd	488 875	160 726
Strides Pharma (SA) Proprietary Limited, South Africa	(5 537)	-
Juno Pharma South Africa Proprietary Limited	78 437	-
GRN Simaan	32 705	-

	2021 R	2020 R
30. Related parties (continued)		
Purchases from (sales to) related parties		
Strides Pharma (SA) Proprietary Limited, South Africa - sales	(3 222 562)	(1 278 727)
Strides Pharma (SA) Proprietary Limited, South Africa - purchases	3 563 264	-
Strides Pharma Global Pte Ltd - sales	(49 269)	(91 150)
Strides Pharma Global Pte Ltd - purchases	2 932 876	-
Juno Pharma South Africa Proprietary Limited	-	(5 103)
Apollo Life Sciences Holdings Proprietary Limited	(25 798)	-
Strides Pharma Asia Pte Ltd	(7 719)	-
K2 Medical Proprietary Limited - sales	(6 075)	-
K2 Medical Proprietary Limited - purchases	98 000	-
Kahma Biotech Proprietary Limited	(1 152 319)	-
Recharges, recoveries, expenses and fees (to) from related parties		
Arco Lab Private Limited	268 654	-
Juno Pharma South Africa Proprietary Limited	(329 771)	(388 086)
K2 Medical Proprietary Limited	817 705	472 958
Kahma Biotech Proprietary Limited	3 271	254
Kahma Biotech Proprietary Limited	(3 750)	-
Strides Pharma (SA) Proprietary Limited, South Africa	131 395	-
The Vaccine Bureau Proprietary Limited	100 999	306 033
The Vaccine Bureau Proprietary Limited	(5 350)	-

Notes to the Annual Financial Statements

31. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	Amortised cost	Fair value
Investments in subsidiaries	5	1 559 673	-
Loans to group companies	6	204 987	-
Trade and other receivables	10	59 763 945	-
Work in progress and receivables	9	3 818 247	-
Cash and cash equivalents	12	12 026 492	-
		77 373 344	**-**

2020

	Note(s)	Amortised cost	Fair value
Investments in subsidiaries	5	1 559 673	-
Loans to group companies	6	221 468	-
Trade and other receivables	10	62 185 070	-
Work in progress and receivables	9	2 127 528	-
Cash and cash equivalents	12	5 940 568	-
		72 034 307	**-**

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Fair value
Trade and other payables	17	105 680 401	-
Loans from shareholders	14	12 106 789	-
Other financial liabilities at fair value	15	-	67 422
		117 787 190	**67 422**

2020

	Note(s)	Amortised cost	Fair value
Trade and other payables	17	99 736 679	-
Loans from shareholders	14	4 510 939	-
Other financial liabilities at fair value	15	-	11 649 837
		104 247 618	**11 649 837**

31. Financial instruments and risk management (continued)

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

Loans from shareholders	14	12 106 789	4 510 939
Financial liabilities at fair value	15	67 422	11 649 837
Trade and other payables	17	105 680 401	99 736 679
Total borrowings		**117 854 612**	**115 897 455**
Bank overdraft (cash and cash equivalents)	12	3 561 347	(5 940 568)
Net borrowings		**121 415 959**	**109 956 887**
Equity		47 512 076	31 723 164
Gearing ratio		256 %	347 %

Financial risk management

Overview

The company’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk which are managed by the board of directors.

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Foreign currency risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro, US Dollar and Britsh Pound. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. The company does not hedge foreign exchange fluctuations. The company reviews its foreign currency exposure, including commitments on an ongoing basis.

Interest rate risk

Fluctuations in interest rates impact the value of investments and financing activities, giving rise to interest rate risk.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Detailed Income Statement

	Note(s)	2021 R	2020 R
Revenue	20	**300 861 839**	**244 471 795**
Cost of sales			
Opening stock		(42 729 136)	(39 179 895)
Purchases		(280 112 848)	(212 759 721)
Closing stock		66 729 037	42 729 136
		(256 112 947)	**(209 210 480)**
Gross profit		**44 748 892**	**35 261 315**
Other operating income			
Skills development refunds		5 795	23 021
Recovery of marketing expenses		-	742 358
	21	**5 795**	**765 379**
Other operating gains (losses)			
(Losses) gains on disposal of assets or settlement of liabilities		(6 025)	4 587
Foreign exchange gains		92 919	1 956 323
Fair value gains		-	3 049 037
	22	**86 894**	**5 009 947**
Expenses (Refer to page 48)		**(19 541 972)**	**(15 704 348)**
Operating profit	23	**25 299 609**	**25 332 293**
Investment income	24	31 549	58 697
Finance costs	25	(3 398 140)	(1 968 640)
Profit before taxation		**21 933 018**	**23 422 350**
Taxation	26	(6 144 109)	(6 050 966)
Profit for the year		**15 788 909**	**17 371 384**

Detailed Income Statement

	Note(s)	2021 R	2020 R
Other operating expenses			
Advertising		1 618 097	1 434 415
Amortisation and impairments		982 405	603 577
Auditors remuneration - external auditors	23	383 305	230 462
Bank charges		63 674	46 388
Cleaning		18 971	14 119
Computer expenses		347 750	288 306
Consulting and professional fees		1 198 055	853 643
Depreciation		143 946	153 529
Donations		10 000	18 000
Employee costs		13 068 572	10 149 011
Entertainment		12 786	25 919
General office expenses		7 998	10 487
Insurance		378 843	236 470
Motor vehicle expenses		17 392	-
Municipal expenses		57 526	39 455
Postage		44 825	12 175
Printing and stationery		37 390	104 758
Recruitment expenses		-	39 818
Repairs and maintenance		6 057	38 390
Security		25 904	14 687
Short term leases		478 456	409 139
Staff welfare		62 627	175 767
Subscriptions		261 110	66 530
Telephone and fax		128 831	81 666
Training		84 655	104 276
Travel - local		102 797	256 646
Travel - overseas		-	296 715
		19 541 972	**15 704 348**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Tax Computation

	2021 R	2020 R
Net profit per income statement	21 933 018	23 422 350
Permanent differences (Non-deductible/Non taxable items)		
Adjustments to comply with IFRS: unwinding of contingent consideration payable - deemed interest per present value of interest free loan	-	(1 772 213)
Depreciation per AFS on leasehold improvements	10 226	8 950
	10 226	**(1 763 263)**
Temporary differences		
Allowance for future expenditure (s24C) - current year	(4 214 522)	(1 645 199)
Allowance for future expenditure (s24C) - prior year	1 645 199	2 390 529
Work in progress not yet invoiced/accrued	(3 818 247)	(1 626 128)
Reversal of work in progress claim in previous year	1 626 128	2 080 886
Amounts received in advance - current year	4 958 266	1 935 528
Amounts previously taxed as received in advance	(1 935 528)	(2 812 387)
Depreciation according to financial statements	133 720	205 248
Wear and tear allowance (s11(e))	(133 720)	(205 248)
Prepaid expenditure not limited by s23H - current year	(97 649)	(53 227)
Reversal of prepaid expenditure allowed in prior year	53 227	28 709
Provision for stock write offs - current year	191 076	27 340
Provision for stock write offs - prior year	(27 340)	-
Prepaid marketing expenses not limited by s23H	(388 958)	(115 181)
Reversal for marketing spent not deductible prior year	115 181	(292 402)
Provision for leave pay and bonus not deductible current year	1 425 382	266 692
Reversal of leave pay provisions previously raised	(266 692)	(263 602)
Provision for commissions not deductible current year	29 426	29 426
Reversal of provision for commissions previously raised	(29 426)	(29 426)
	(734 477)	**(78 442)**
Taxable income for 2021	**21 208 767**	**21 580 645**
Tax thereon @ 28% in the Rand	**5 938 455**	

Tax Computation

	2021 R	2020 R
Reconciliation of tax balance		
Amount prepaid at the beginning of year	(209 731)	
Tax owing for the current year:		
Normal tax		
Per calculation	5 938 455	
1st provisional payment	(2 713 116)	
2nd provisional payment	(4 303 146)	
	(1 077 807)	
Amount owing at the end of year	**(1 287 538)**	