

Strides Pharma (SA) Proprietary Limited

(Registration number 2013/235090/07)

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R	2022 R
Assets			
Non-Current Assets			
Intangible assets	3	12 327 411	11 262 527
Deferred tax	4	8 519 834	4 577 161
		20 847 245	15 839 688
Current Assets			
Inventories	5	6 959 585	15 038 592
Trade and other receivables	6	12 388 028	22 374 118
Cash and cash equivalents	7	1 467 648	367 035
		20 815 261	37 779 745
Total Assets		41 662 506	53 619 433
Equity and Liabilities			
Equity			
Share capital	8	9 267 741	9 267 741
Accumulated loss		(22 939 646)	(12 459 826)
		(13 671 905)	(3 192 085)
Liabilities			
Non-Current Liabilities			
Loans from group companies	9	1 914 607	1 760 146
Loans from shareholders	10	9 901 464	9 241 122
		11 816 071	11 001 268
Current Liabilities			
Trade and other payables	11	35 630 445	41 159 188
Loans from group companies	9	7 887 895	4 651 062
		43 518 340	45 810 250
Total Liabilities		55 334 411	56 811 518
Total Equity and Liabilities		41 662 506	53 619 433

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Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2023 R	2022 R
Revenue	12	49 829 637	45 347 477
Cost of sales	13	(51 159 703)	(41 849 061)
Gross (loss) profit		(1 330 066)	3 498 416
Other operating gains	14	(5 986 438)	322 814
Other operating expenses		(5 529 089)	(7 332 672)
Operating loss	15	(12 845 593)	(3 511 442)
Investment income	16	-	470
Finance costs	17	(1 576 902)	(994 521)
Loss before taxation		(14 422 495)	(4 505 493)
Taxation	18	3 942 674	1 092 013
Loss for the year		(10 479 821)	(3 413 480)
Other comprehensive income		-	-
Total comprehensive loss for the year		(10 479 821)	(3 413 480)

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Statement of Changes in Equity

	Share capital	Accumulated loss	Total equity
	R	R	R
Balance at 01 April 2021	9 267 741	(9 046 346)	221 395
Loss for the year	-	(3 413 480)	(3 413 480)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(3 413 480)	(3 413 480)
Balance at 01 April 2022	9 267 741	(12 459 825)	(3 192 084)
Loss for the year	-	(10 479 821)	(10 479 821)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(10 479 821)	(10 479 821)
Balance at 31 March 2023	9 267 741	(22 939 646)	(13 671 905)
Note	8		

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Statement of Cash Flows

	Note(s)	2023 R	2022 R
Cash flows from operating activities			
Cash receipts from customers		59 698 195	29 806 110
Cash paid to suppliers and employees		(55 656 465)	(33 403 357)
Cash generated from/(used in) operations	19	4 041 730	(3 597 247)
Interest income		-	470
Finance costs		(1 576 902)	-
Net cash from / (utilised in) operating activities		2 464 828	(3 596 777)
Cash flows from investing activities			
Purchase of intangible assets	3	(1 894 508)	(958 066)
Cash flows from financing activities			
Proceeds from loans from group companies		-	13 163 900
Repayment of loans from group companies		(130 048)	(8 889 495)
Proceeds from loans from shareholders		-	220 000
Repayment of shareholders loan		660 342	-
Net cash from financing activities		530 294	4 494 405
Total cash movement for the year		1 100 614	(60 438)
Cash at the beginning of the year		367 035	427 473
Total cash at end of the year	7	1 467 649	367 035

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Accounting Policies

Corporate information

Strides Pharma (SA) 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, except for the adoption of new or revised standards as detailed in note 2.

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 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

Initial recognition

The initial recognition of the intangible asset is based on management's judgement and application of the requirements of IAS 38. Management makes assumptions and applies judgement regarding the expected future cash generation of the rights upon initial recognition of intangible assets. Intangible assets initial recognition consists of rights obtained in terms of a valid contract with the purchaser as well as external costs incurred to register these rights with regulatory bodies.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

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 1.3 - 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.

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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 determine the recoverable amount by performing value in use and fair value calculations. 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.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. The company is not yet generating revenue. The company expects to begin generating revenue within the foreseeable future, once the rights to distribute medical products is registered, which is expected to result in taxable income that will be used to recover the assessed loss deferred tax asset. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 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. The useful lives are determined using historic information for similar products in a similar market as well as using operational and financial projections to determine the expected product's market useful life.

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1.3 Intangible assets (continued)

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.

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

Item	Amortisation method	Average useful life
Computer software	Straight line	3 years
Licensed dossiers	Straight line	5 - 20 years

1.4 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 22 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

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1.4 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:

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 6).

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.

The company uses an allowance account to recognise its credit losses on trade and other receivables. It applies the simplified approach of recognising lifetime ECLs for the trade receivables. The company applied a practical expedient in measuring the expected credit loss on non-credit impaired trade receivables, using a provision matrix in determining the impairment loss. This matrix uses the historical credit loss, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast conditions at the reporting date.

The company considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

The loss allowance on credit impaired trade receivables is measured at the present value of all cash shortfalls.

The company will write off the underlying financial asset when there is an indication that the customer is in financial difficulty or business rescue and management has assessed that the customer is not in a financial position to pay the outstanding debt. Trade receivables written off for accounting purposes may still be subject to the company's internal recovery procedures, with the assistance of legal counsel. Any recoveries made once the debt has been written off will be recognised as other income in the statement of profit or loss and other comprehensive income.

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.

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1.4 Financial instruments (continued)

Borrowings and loans from related parties

Classification

Loans from group companies (note 9) and loans from shareholders (note 10) 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 17.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 22 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 (note 14).

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 22).

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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1.4 Financial instruments (continued)

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 17).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 22 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 22.

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 22.

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 22 for details.

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 14).

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 17).

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1.4 Financial instruments (continued)

Cash and cash equivalents

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

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.

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.

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1.5 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.

The corporate income tax rate will be lowered to 27 per cent (from 28 per cent) for companies with years of assessment commencing on or after 1 April 2022 and deferred tax has been adjusted accordingly where applicable.

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.

1.6 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.

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1.6 Leases (continued)

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.

The company did not recognise any right-of-use assets or lease liabilities as they only have short-term leases.

1.7 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.

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.

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.

1.8 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.

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1.8 Impairment of assets (continued)

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.

1.9 Share capital and equity

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

Ordinary shares are classified as equity.

1.10 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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

1.11 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.

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Accounting Policies

1.11 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 pharmaceutical products

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.

1.12 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.

1.13 Borrowing costs

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

1.14 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.

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Accounting Policies

1.14 Translation of foreign currencies (continued)

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 = R17.8013

1 EUR = R19.3631

1 GBP = R22.0185

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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:
• 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
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2023 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact
• Initial application of IFRS 17 and IFRS 9 - Comparative information	01 January 2023	Unlikely there will be a material impact
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	Unlikely there will be a material impact
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.	01 January 2023	Unlikely there will be a material impact
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact

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	2023 R	2022 R
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3. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	449 988	(420 192)	29 796	449 988	(314 922)	135 066
Licensed dossiers	13 863 019	(1 565 404)	12 297 615	11 968 511	(841 050)	11 127 461
Total	14 313 007	(1 985 596)	12 327 411	12 418 499	(1 155 972)	11 262 527

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	135 066	-	-	(105 270)	29 796
Licensed dossiers	11 127 461	1 894 508	-	(724 354)	12 297 615
	11 262 527	1 894 508	-	(829 624)	12 327 411

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	320 532	-	-	(185 466)	135 066
Licensed dossiers	10 808 966	958 066	-	(639 571)	11 127 461
	11 129 498	958 066	-	(825 037)	11 262 527

The intangible assets comprises of purchased medical dossiers providing the company with rights to sell and distribute specified medical products in the Republic of South Africa. The company has registered all these dossiers with SAHPRA (The South African Health Products Regulation Authority) during the prior financial year.

4. Deferred tax

Deferred tax liability

Prepayments	(40 284)	(28 436)
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Deferred tax asset

Accrual for bonus and leave pay	30 726	136 988
Provision for stock impairment	805 698	-
Pre-trade expenditure (11A) available for set off against future taxable income	982 225	982 225
Assessed loss	6 741 469	3 486 384
Total deferred tax asset	8 560 118	4 605 597

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:

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	2023 R	2022 R
4. Deferred tax (continued)		
Deferred tax liability	(40 284)	(28 436)
Deferred tax asset	8 560 118	4 605 597
Total net deferred tax asset	8 519 834	4 577 161
Reconciliation of deferred tax asset		
At beginning of year	4 577 161	3 485 147
Movement in temporary differences	3 942 673	1 092 014
	8 519 834	4 577 161
5. Inventories		
Finished goods	6 535 605	8 773 266
Work in progress	-	6 265 326
Inventories	423 980	-
	6 959 585	15 038 592
6. Trade and other receivables		
Financial instruments:		
Trade receivables	11 912 563	20 705 457
Loss allowance	-	-
Trade receivables at amortised cost	11 912 563	20 705 457
Non-financial instruments:		
VAT	313 931	796 153
Prepayments	161 534	872 508
Total trade and other receivables	12 388 028	22 374 118

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company has no historical credit losses and has only dealt with a small number of customers with excellent credit ratings. Accordingly, no provision for expected credit losses was recognised.

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	2023 R	2022 R
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	1 467 648	367 035
Credit quality of cash and cash equivalents		
The company only deposits cash and cash equivalents with reputable financial institutions with a high credit rating.		
8. Share capital		
Authorised		
1 000 Ordinary shares of no par value	1 000	1 000
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		
120 Ordinary shares no par value	9 267 741	9 267 741
9. Loans from group companies		
Fellow subsidiary		
Trinity Pharma Proprietary Limited	7 887 895	4 651 062
The loan bears interest at the prime rate and has no fixed terms of repayment. Strides Pharma (SA) Proprietary Limited provided a limited resource guarantee limited to R6 000 000 to Investec in terms of all payments due and owing by Trinity Pharma to Investec, limited to the proceeds in terms of the cession of debtors, including a session of Strides' debtors book in favour of Investec.		
Other related party		
The Vaccine Bureau Proprietary Limited	1 914 607	1 760 146
The loan is unsecured, bears interest at the prime interest rate of South Africa (2022: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months.		
Split between non-current and current portions		
Non-current liabilities	1 914 607	1 760 146
Current liabilities	7 887 895	4 651 062
	9 802 502	6 411 208

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	2023 R	2022 R
10. Loans from shareholders		
Strides Pharma (Cyprus) Limited	6 235 751	5 756 218
The loan is unsecured, bears interest at the prime interest rate of South Africa of 11.25% (2022: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.		
Juno Pharma South Africa Proprietary Limited	1 157 333	1 157 333
The loan is unsecured, interest free (2022: interest free) and repayable on demand. Juno Pharma South Africa Proprietary Limited has confirmed that the loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.		
Juno Pharma South Africa Proprietary Limited	2 508 380	2 327 571
The loan is unsecured, bears interest at the prime interest rate of South Africa of 11.25% (2022: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.		
	9 901 464	9 241 122
Split between non-current and current portions		
Non-current liabilities	9 901 464	9 241 122
11. Trade and other payables		
Financial instruments:		
Trade payables	35 496 404	40 583 604
Employees taxes	20 240	68 223
Accrued leave pay	39 645	275 687
Bonus provision	74 156	231 674
	35 630 445	41 159 188

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Notes to the Annual Financial Statements

	2023 R	2022 R
12. Revenue		
Revenue from contracts with customers		
Sale of goods	49 829 637	45 347 477
13. Cost of sales		
Cost of goods sold	51 159 703	41 849 061
14. Other operating gains		
Foreign exchange gains (losses)		
Net foreign exchange (losses) gains	(5 986 438)	322 814
15. Operating loss		
Operating loss for the year is stated after accounting for the following, amongst others:		
Auditor's remuneration - external		
Fees	107 050	100 725
Employee costs		
Salaries, wages, bonuses and other benefits	1 799 264	3 233 463
Leases		
Variable lease payments	21 276	51 400
Total lease expenses	21 276	51 400
Amortisation		
Amortisation of intangible assets	829 624	825 037
16. Investment income		
Interest income		
Investments in financial assets:		
Bank and other cash	-	470
17. Finance costs		
Shareholders	660 341	500 568
Group companies	916 561	492 080
Other	-	1 873
Total finance costs	1 576 902	994 521

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	2023 R	2022 R
18. Taxation		
Major components of the tax income		
Deferred		
Originating and reversing temporary differences	(3 942 674)	(1 092 013)
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense		
Accounting loss	(14 422 495)	(4 505 493)
Tax at the applicable tax rate of 27% (2022: 28%)	(3 894 074)	(1 261 538)
Tax effect of adjustments on taxable income		
Change in deferred tax rate	-	169 525
Learnership allowance	(48 600)	-
	(3 942 674)	(1 092 013)
No provision has been made for 2023 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 24 968 407 (2022: R 12 912 532) and pre-trade expenditure (Section 11A) is R 3 637 871 (2022: R 3 637 871).		
19. Cash generated from/(used in) operations		
Loss before taxation	(14 422 495)	(4 505 493)
Adjustments for:		
Amortisation	829 624	825 037
Losses on foreign exchange	6 035 341	-
Interest income	-	(470)
Finance costs	1 576 902	994 521
Changes in working capital:		
Inventories	8 079 007	(8 932 318)
Trade and other receivables	9 987 301	(20 562 117)
Trade and other payables	(8 043 950)	28 583 593
	4 041 730	(3 597 247)

20. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the year.

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Notes to the Annual Financial Statements

	2023 R	2022 R
21. Related parties		
Relationships		
Ultimate holding company	Strides Pharma Science Limited (a company listed on the National Stock Exchange of India Limited and the BSE Limited)	
Holding company	Strides Pharma (Cyprus) Limited	
Common control of directors	Regipharma Proprietary Limited K2 Medical Proprietary Limited The Vaccine Bureau Proprietary Limited Kahma Healthcare Group Proprietary Limited Kahma Biotech Proprietary Limited Trinity Pharma Proprietary Limited	
Other group entities	Strides Pharma Global Pte Limited	
Fellow subsidiaries and associates	Other entities related to Trinity Group Other entities related to Kahma Group	
Members of key management	Refer to Director's Report	
Related party balances		
Loan accounts - Owing (to) / by related parties		
Trinity Pharma Proprietary Limited	(7 887 895)	(4 651 062)
The Vaccine Bureau Proprietary Limited	(1 914 607)	(1 760 146)
Strides Pharma (Cyprus) Limited	(6 235 751)	(5 756 218)
Juno Pharma South Africa Proprietary Limited - interest bearing	(2 508 380)	(2 327 571)
Juno Pharma South Africa Proprietary Limited - interest free	(1 157 333)	(1 157 333)
Amounts included in Trade Receivable / (Trade Payable) regarding related parties		
Trinity Pharma Proprietary Limited - trade payable	(103 363)	(11 178 416)
Trinity Pharma Proprietary Limited - trade receivable	5 856 523	6 929 400
Strides Pharma Global Pte Limited	-	(184 745)
Strides Pharma Science Limited - trade payable	(22 445 645)	(17 162 201)
Strides Pharma Science Limited - trade receivable	25 967	-
Juno Pharma South Africa Proprietary Limited	-	2 611
K2 Medical Proprietary Limited	(1 361)	(39 446)
Kahma Healthcare Group Proprietary Limited	(1 420)	(22 680)
Kahma Biotech Proprietary Limited - trade payable	-	(1 025)
Kahma Biotech Proprietary Limited - trade receivable	6 030 073	10 577 157

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	2023 R	2022 R
21. Related parties (continued)		
Related party transactions		
Rent paid to related parties		
K2 Medical Proprietary Limited	-	30 069
Kahma Healthcare Group Proprietary Limited	25 073	21 330
Recoveries paid (salaries) to related parties		
K2 Medical Proprietary Limited	37 804	52 645
Kahma Biotech Proprietary Limited	1 230	1 216
Trinity Pharma Proprietary Limited	122 251	822 792
Recoveries (expenses) paid to / (received from) related parties		
K2 Medical Proprietary Limited	-	52 489
Kahma Healthcare Group Proprietary Limited	-	11 695
Trinity Pharma Proprietary Limited	619 956	143 768
Trinity Pharma Proprietary Limited	(241 181)	-
Purchases from / (sales to) related parties		
Juno Pharma South Africa Proprietary Limited	-	(2 270)
Kahma Biotech Proprietary Limited	(28 828 119)	(31 475 580)
Strides Pharma Global Pte Limited	-	201 761
Strides Pharma Science Limited - purchases	10 150 305	11 329 472
Strides Pharma Science Limited - sales	(24 756)	-
Trinity Pharma Proprietary Limited - purchases	742 207	781 490
Trinity Pharma Proprietary Limited - sales	(20 735 581)	(14 948 880)
Interest accrued to related parties		
Juno Pharma South Africa Proprietary Limited	180 808	136 500
Strides Pharma (Cyprus) Limited	479 533	364 068
The Vaccine Bureau Proprietary Limited	154 462	117 295
Trinity Pharma Proprietary Limited	762 099	374 785

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Notes to the Annual Financial Statements

22. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Amortised cost	Fair value
Trade and other receivables	6	11 912 563	-
Cash and cash equivalents	7	1 467 648	-
		13 380 211	-

2022

	Note(s)	Amortised cost	Fair value
Trade and other receivables	6	20 705 457	-
Cash and cash equivalents	7	367 035	-
		21 072 492	-

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Fair value
Trade and other payables	11	35 630 446	-
Loans from group companies	9	9 802 502	-
Loans from shareholders	10	9 901 464	-
		55 334 412	-

2022

	Note(s)	Amortised cost	Fair value
Trade and other payables	11	41 159 186	-
Loans from group companies	9	6 411 208	-
Loans from shareholders	10	9 241 122	-
		56 811 516	-

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Notes to the Annual Financial Statements

22. Financial instruments and risk management (continued)

Capital risk management

The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of the loan from group company disclosed in note 9, the loans from shareholders disclosed in note 10, cash and cash equivalents disclosed in note 7, share capital disclosed in note 8 and accumulated loss disclosed in the statement of changes in equity.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

There were no externally imposed capital requirements at the reporting date.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

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 group companies	9	9 802 502	6 411 208
Loans from shareholders	10	9 901 464	9 241 122
Trade and other payables	11	35 630 446	41 159 186
Total borrowings		55 334 412	56 811 516
Cash and cash equivalents	7	(1 467 648)	(367 035)
Net borrowings		53 866 764	56 444 481
Equity		(13 671 904)	(3 192 084)
Gearing ratio		(394)%	(1 768)%

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Notes to the Annual Financial Statements

22. Financial instruments and risk management (continued)

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 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 British Pound. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. The company does hedge foreign exchange fluctuations from time to time based on the assessed risk. The company reviews its foreign currency exposure, including commitments on an ongoing basis.

Interest rate risk

Fluctuations in interest rates impact on 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.

23. 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.

We draw attention to the fact that at 31 March 2023, the company had accumulated losses of R 22 939 646 and that the company's total liabilities exceeded its assets by R 13 671 905.

These conditions give rise to a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company and that the letter of support will remain in force for so long as it takes to restore the solvency of the company.