Ranbaxy Pharmaceuticals Proprietary Limited
(Registration number 1993/003111/07)
Financial statements
for the year ended 31 March 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Import, marketing, manufacturing and trade of pharmaceutical goods and services
Directors	Desmond William Brothers Umesh Kumar Maini Avesh Ajoodha Deepakh Mangal Sewnarain
Registered office	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Business address	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Postal address	P O Box 43486 Industria Gauteng 2042
Auditor	Ernst & Young Inc. 102 Rivonia Road Dennehof Sandton 2196
Secretary	Grant Thornton
Company registration number	1993/003111/07
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements were independently compiled by: Melissa McGill CA(SA)
Issued	21 May 2021

Contents

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 financial statements and related financial information included in this report. It is their responsibility to ensure that the 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 auditor is engaged to express an independent opinion on the financial statements.

The 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 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 auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 6 to 8.

The financial statements set out on pages 9 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 21 May 2021 and were signed on their behalf by:

Avesh Ajoodha

Directors' Report

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

1. Nature of business

Ranbaxy Pharmaceuticals Proprietary Limited was incorporated in South Africa with interests in the industry. The company operates in South Africa, rest of Africa and Europe.

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 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 financial statements.

3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

4. Dividends

No dividends were declared or paid in the current year (2020: Rnil).

5. Directorate

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

Directors
Desmond William Brothers
Umesh Kumar Maini
Avesh Ajoodha
Deepakh Mangal Sewnarain

6. Events after the reporting period

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

7. 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.

Directors' Report

8. Auditors

Ernst & Young Inc. continued in office as auditors for the company for 2021.

9. Secretary

The company secretary is Grant Thornton.

Independent Auditor's Report

To the Shareholders of Ranbaxy Pharmaceuticals Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of *Ranbaxy Pharmaceuticals Proprietary Limited* ('the company') set out on pages 9 to 36, which comprise the statement of financial position as at 31 March 2021, and the 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 financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of *Ranbaxy Pharmaceuticals 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 (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 36-page document titled "*Ranbaxy Pharmaceuticals 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. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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 Financial Statements

The directors are responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Inc.
Director – Suren Naidoo
Chartered Accountant (SA)
Registered Auditor

Johannesburg

21 May 2021

Statement of Financial Position as at 31 March 2021

	Notes	2021 R	2020 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	75 247 808	62 059 119
Right-of-use assets	5	2 495 172	-
Intangible assets	6	458 794	533 081
		78 201 774	**62 592 200**
Current Assets			
Inventories	8	539 419 684	365 293 401
Trade and other receivables	9	398 509 407	195 741 205
Cash and cash equivalents	10	98 667 166	55 198 568
		1 036 596 257	**616 233 174**
Total Assets		**1 114 798 031**	**678 825 374**
Equity and Liabilities			
Equity			
Share capital	11	700 000 200	700 000 200
Accumulated loss		(273 902 548)	(304 634 714)
		426 097 652	**395 365 486**
Liabilities			
Non-Current Liabilities			
Lease liabilities	5	2 134 560	-
Current Liabilities			
Trade and other payables	12	686 153 671	283 459 888
Lease liabilities	5	412 148	-
		686 565 819	**283 459 888**
Total Liabilities		**688 700 379**	**283 459 888**
Total Equity and Liabilities		**1 114 798 031**	**678 825 374**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2021 R	2020 R
Revenue	13	1 171 245 545	933 649 251
Cost of sales	14	(856 104 960)	(671 763 672)
Gross profit		**315 140 585**	**261 885 579**
Other operating income	15	3 938 696	5 138 601
Other operating gains (losses)	16	2 078 811	(2 219 064)
Other operating expenses		(292 323 463)	(229 403 987)
Operating profit	17	**28 834 629**	**35 401 129**
Finance income	18	1 899 218	5 490 002
Finance costs	19	(1 681)	-
Total comprehensive income for the year		**30 732 166**	**40 891 131**

Statement of Changes in Equity

	Share capital R	Redeemable preference shares R	Total share capital R	Accumulated loss R	Total equity R
Balance at 01 April 2019	**200 000 200**	**500 000 000**	**700 000 200**	**(345 525 845)**	**354 474 355**
Total comprehensive income for the year	**-**	**-**	**-**	**40 891 131**	**40 891 131**
Balance at 01 April 2020	**200 000 200**	**500 000 000**	**700 000 200**	**(304 634 714)**	**395 365 486**
Total comprehensive income for the year	**-**	**-**	**-**	**30 732 166**	**30 732 166**
Balance at 31 March 2021	**200 000 200**	**500 000 000**	**700 000 200**	**(273 902 548)**	**426 097 652**
Note	11	11	11		

Statement of Cash Flows

	Note	2021 R	2020 R
Cash flows from operating activities			
Cash generated from/(used in) operations	21	62 387 200	(24 367 558)
Interest income		1 899 218	5 490 002
Finance costs		(1 681)	-
Net cash from operating activities		**64 284 737**	**(18 877 556)**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(20 511 218)	(6 347 017)
Purchase of other intangible assets	6	-	(211 218)
Net cash from investing activities		**(20 511 218)**	**(6 558 235)**
Cash flows from financing activities			
Payment on lease liabilities		(304 921)	-
Net cash from financing activities		**(304 921)**	**-**
Total cash movement for the year		**43 468 598**	**(25 435 791)**
Cash at the beginning of the year		55 198 568	80 634 359
Total cash at end of the year	10	**98 667 166**	**55 198 568**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The 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 financial statements and the Companies Act of South Africa of South Africa, as amended.

These 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 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 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.

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.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

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.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Machinery	Straight line	5 - 25 years
Fixtures and fittings	Straight line	6 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	6 years
Computer equipment	Straight line	3 years
Construction in progress	Straight line	10% - 33.33% per annum
Leasehold improvements	Straight line	10% - 33.33% per annum

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

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; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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
Computer software	Straight line	2 years
Copyrights, patents and other industrial property rights, service and operating rights	Straight line	5 years

1.5 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
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

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).

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); 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 24 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

1.5 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 9).

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.

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.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 18).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

1.5 Financial instruments (continued)

Impairment

A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk:

- For credit exposures with no significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss).

For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Measurement and recognition of expected credit losses

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 17).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 12), 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 19).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 24 for details of risk exposure and management thereof.

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.

1.5 Financial instruments (continued)

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.

1.6 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).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

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

1.6 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.

1.7 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.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 5 Leases (company as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

The lease liability is presented as a separate line item on the Statement of Financial Position.

1.7 Leases (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 19).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

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.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

Accounting Policies

1.8 Inventories (continued)

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.

1.9 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.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.10 Share capital and equity

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

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

1.11 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.

Accounting Policies

1.11 Employee benefits (continued)

Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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.

Cost of sales is reduced by the amount recognised in inventory as 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.

1.13 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.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

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 financial statements are recognised in profit or loss in the period in which they arise.

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.

Notes to the Financial Statements

2. Changes in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 April 2020. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2020.

Leases where company is lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- which were previously accounted for as investment property on the fair value model in IAS 40 Investment Property. IAS 40 has been applied to these leases from the date of initial application.
- which were previously accounted for in accordance with IAS 17 but have been accounted for as investment property on the fair value model in IAS 40 Investment Property from the date of initial application. These right-of-use assets were recognised at fair value on the date of initial application and IAS 40 is applied to these leases from the date of initial application.

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 April 2020 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the company recognised an additional R4 053 451 of right-of-use assets and R4 053 451 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, company discounted lease payments using its incremental borrowing rate at 01 April 2020. The weighted average rate applied is 8,47%.

Notes to the Financial Statements

3. New Standards and Interpretations

3.1 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.
• 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	The impact of the amendment is not material.

3.2 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
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	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

Notes to the Financial Statements

4. Property, plant and equipment

	2021			2020		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Land	16 976 500	-	16 976 500	16 420 902	-	16 420 902
Machinery	263 379 675	(231 793 089)	31 586 586	260 515 394	(225 254 030)	35 261 364
Fixtures and fittings	7 791 621	(7 460 143)	331 478	7 728 383	(7 389 847)	338 536
Motor vehicles	1 299 362	(820 042)	479 320	1 299 362	(700 676)	598 686
Office equipment	802 250	(708 166)	94 084	772 601	(702 405)	70 196
Computer equipment	3 610 383	(2 837 971)	772 412	3 321 041	(2 440 518)	880 523
Leasehold improvements	124 580 423	(110 832 155)	13 748 268	118 614 492	(110 644 440)	7 970 052
Capital - Work in progress	4 021 231	7 237 929	11 259 160	4 463 474	(3 944 614)	518 860
Total	**422 461 445**	**(347 213 637)**	**75 247 808**	**413 135 649**	**(351 076 530)**	**62 059 119**

Reconciliation of property, plant and equipment - 2021

	Opening balance	**Additions**	**Depreciation**	**Total**
Land	16 420 902	555 598	-	16 976 500
Machinery	35 261 364	2 864 283	(6 539 061)	31 586 586
Fixtures and fittings	338 536	63 238	(70 296)	331 478
Motor vehicles	598 686	-	(119 366)	479 320
Office equipment	70 196	29 648	(5 760)	94 084
Computer equipment	880 523	292 219	(400 330)	772 412
Leasehold improvements	7 970 052	5 965 932	(187 716)	13 748 268
Capital - Work in progress	518 860	10 740 300	-	11 259 160
	62 059 119	**20 511 218**	**(7 322 529)**	**75 247 808**

Reconciliation of property, plant and equipment - 2020

	Opening balance	**Additions**	**Transfers**	**Depreciation**	**Total**
Land	16 420 902	-	-	-	16 420 902
Machinery	35 961 967	5 377 752	-	(6 078 355)	35 261 364
Fixtures and fittings	299 082	90 000	-	(50 546)	338 536
Motor vehicles	718 052	-	-	(119 366)	598 686
Office equipment	75 953	-	(2 878)	(2 879)	70 196
Computer equipment	881 951	122 024	207 122	(330 574)	880 523
Leasehold improvements	3 555 517	4 497 611	-	(83 076)	7 970 052
Capital - Work in progress	4 463 474	-	(3 944 614)	-	518 860
	62 376 898	**10 087 387**	**(3 740 370)**	**(6 664 796)**	**62 059 119**

Notes to the Financial Statements

	2021 R	2020 R

5. Leases (company as lessee)

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

The company adopted IFRS 16 for the first time in the current financial period. Comparative figures have been accounted for in accordance with IAS 17 and accordingly, any assets recognised under finance leases in accordance with IAS 17 for the comparative have been recognised as part of property, plant and equipment. The information presented in this note for right-of-use assets therefore only includes the current period.

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

	2021 R	2020 R
Buildings	2 495 172	-

Additions to right-of-use assets

	2021 R	2020 R
Buildings	2 673 398	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 17), as well as depreciation which has been capitalised to the cost of other assets.

	2021 R	2020 R
Buildings	178 226	-

Other disclosures

	2021 R	2020 R
Total cash outflow from leases	(314 480)	-

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	2021 R	2020 R
Within one year	412 148	-
Two to five years	2 134 560	-
	2 546 708	**-**
Non-current liabilities	2 134 560	-
Current liabilities	412 148	-
	2 546 708	**-**

6. Intangible assets

	2021			2020		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
Copyrights, patents and other industrial property rights	188 408	-	188 408	188 408	-	188 408
Computer software	781 356	(510 970)	270 386	781 356	(436 683)	344 673
Total	**969 764**	**(510 970)**	**458 794**	**969 764**	**(436 683)**	**533 081**

	2021 R	2020 R

6. Intangible assets (continued)

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Copyrights, patents and other industrial property rights	188 408	-	188 408
Computer software	344 673	(74 287)	270 386
	533 081	**(74 287)**	**458 794**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Copyrights, patents and other industrial property rights	188 408	-	-	188 408
Computer software	207 743	211 218	(74 288)	344 673
	396 151	**211 218**	**(74 288)**	**533 081**

7. Deferred tax

During the current year, there had been no provision made for income tax as the entity had no taxable income. The estimated tax loss available for set off against future taxable income is R296 372 791 (2020: R350 998 749).

8. Inventories

	2021 R	2020 R
Raw materials	166 262 050	138 709 671
Work in progress	10 239 237	6 557 327
Finished goods	277 252 522	197 184 727
Merchandise	85 665 875	22 841 676
	539 419 684	**365 293 401**

Inventories of R19 273 820 were written down to net realisable value during the current year (2020: RNil).

9. Trade and other receivables

	2021 R	2020 R
Financial instruments:		
Trade receivables	409 239 885	209 585 589
Loss allowance	(22 206 790)	(28 535 565)
Trade receivables at amortised cost	387 033 095	181 050 024
Sundry debtors	201 170	213 813
Non-financial instruments:		
Value added tax	9 953 614	9 740 588
Employee costs in advance	46 000	403 205
Prepayments	1 275 528	4 333 575
Total trade and other receivables	**398 509 407**	**195 741 205**

Split between non-current and current portions

	2021 R	2020 R
Current assets	398 509 407	195 741 205

Financial instrument and non-financial instrument components of trade and other receivables

	2021 R	2020 R
At amortised cost	387 234 265	181 667 042
Non-financial instruments	11 275 142	14 074 163
	398 509 407	**195 741 205**

Exposure to credit risk

	2021 R	2020 R

9. Trade and other receivables (continued)

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.

A forward looking allowance for expected credit losses is recognised for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2021	2021	2020	2020
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Not past due	296 090 251	-	151 856 537	-
31 - 60 days past due	42 919 391	-	18 725 791	-
61 - 90 days past due	21 500 566	-	8 237 323	-
91 - 120 days past due	5 744 408	-	8 513 163	-
More than 120 days past due	17 778 770	22 206 790	11 970 703	28 535 565
Total	**384 033 386**	**22 206 790**	**199 303 517**	**28 535 565**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for lease receivables:

	2021	2020
Opening balance in accordance with IFRS 9	**(28 535 565)**	**(11 089 905)**
Amounts recovered	6 328 775	-
Provision raised on new trade receivables	-	(17 445 660)
Closing balance	**(22 206 790)**	**(28 535 565)**

Notes to the Financial Statements

	2021 R	2020 R

10. Cash and cash equivalents

Cash and cash equivalents consist of:

	2021 R	2020 R
Cash on hand	1 663	5 095
Bank balances	98 665 503	55 193 473
	98 667 166	**55 198 568**

11. Share capital

	2021 R	2020 R
Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
Issued		
300 Ordinary shares of R1 each	200 000 200	200 000 200
Redeemable preference shares	500 000 000	500 000 000
	700 000 200	**700 000 200**

12. Trade and other payables

	2021 R	2020 R
Financial instruments:		
Trade payables	106 911 020	86 478 287
Trade payables - related parties	497 075 903	131 244 630
Other payables and accruals	1 513 992	1 529 500
Non-financial instruments:		
Payroll accruals	228 765	834 450
Marketing accruals	80 423 991	63 373 021
	686 153 671	**283 459 888**

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. No interest is charged on trade payables. The company and the group have risk management policies in place to ensure that all payables are paid within the agreed credit terms. The carrying amount of financial liabilities approximates its fair values.

Financial instrument and non-financial instrument components of trade and other payables

	2021 R	2020 R
At amortised cost	605 500 915	219 252 417
Non-financial instruments	80 652 756	64 207 471
	686 153 671	**283 459 888**

13. Revenue

	2021 R	2020 R
Revenue from contracts with customers		
Sale of goods	1 171 245 545	933 649 251

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	2021 R	2020 R
Sale of goods		
Sale of goods	1 171 245 545	933 649 251

Timing of revenue recognition

	2021 R	2020 R
At a point in time		
Sale of goods	1 171 245 545	933 649 251

Notes to the Financial Statements

	2021 R	2020 R
14. Cost of sales		
Sale of goods	856 104 960	671 763 672
15. Other operating income		
Other income	3 938 696	5 138 601
16. Other operating gains (losses)		
Foreign exchange gains (losses)		
Net foreign exchange gains (losses)	2 078 811	(2 219 064)

17. Operating profit (loss)

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

	2021 R	2020 R
Auditor's remuneration - internal	**1 847 068**	**217 815**
Remuneration, other than to employees		
Consulting and professional services	2 512 453	1 671 727
Employee costs		
Salaries, wages, bonuses and other benefits	145 771 766	91 380 779
Other short term benefits	7 708 378	7 594 642
Retirement benefit plans: defined contribution expense	5 827 329	5 715 420
Total employee costs	**159 307 473**	**104 690 841**
Leases		
Contingent rentals on operating leases		
Premises	654 540	804 417
Depreciation and amortisation		
Depreciation of property, plant and equipment	7 322 529	6 664 796
Depreciation of right-of-use assets	178 226	-
Amortisation of intangible assets	252 514	74 287
Total depreciation and amortisation	**7 753 269**	**6 739 083**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	2021 R	2020 R
Changes in inventories of finished goods and work in progress	856 104 960	671 763 672
Employee costs	159 307 473	104 690 841
Lease expenses	654 540	804 417
Depreciation, amortisation and impairment	7 753 269	6 739 083
Other expenses	124 608 181	117 169 646
	1 148 428 423	**901 167 659**

Notes to the Financial Statements

	2021 R	2020 R
18. Investment income		
Interest income		
Investments in financial assets:		
Bank and other cash	1 899 218	5 490 002
19. Finance costs		
Other interest paid	1 681	-

20. Taxation

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2021	2020
Applicable tax rate	28,00 %	28,00 %
Assessed loss	(28,00)%	(28,00)%
	- %	**- %**

No provision has been made for 2021 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 296 372 691 (2020: R 312 143 727).

21. Cash generated from/(used in) operations

	2021	2020
Profit before taxation	30 732 166	40 891 131
Adjustments for:		
Depreciation and amortisation	7 753 269	6 739 083
Interest income	(1 899 218)	(5 490 002)
Finance costs	1 681	-
Movement in bad debt	-	17 445 660
Movement in inventory provision	-	7 491 268
Changes in working capital:		
Inventories	(174 126 283)	15 286 277
Trade and other receivables	(202 768 202)	56 552 213
Trade and other payables	402 693 787	(163 283 188)
	62 387 200	**(24 367 558)**

	2021 R	2020 R

22. Related parties

Relationships

Ultimate holding company	Sun Pharmaceutical Industries Limited
Holding company	Sun Pharma (Netherlands) BV
Fellow subsidiaries	Sonke Pharmaceuticals Proprietary Limited
Sister company	Ranbaxy South Africa Proprietary Limited
	Sun Pharmaceuticals SA Proprietary Limited
Members of key management	Desmond William Brothers (Director)
	Umesh Kumar Maini (Director)
	Avesh Ajoodha (Dierctor)
	Deepakh Mangal Sewnarain (Director)

Related party balances

	2021 R	2020 R
Amounts included in trade receivables regarding related parties		
Sonke Pharmaceuticals Proprietary Limited	75 204 057	20 920 878
Sun Pharmaceuticals SA Proprietary Limited	47 972 107	8 801 301
Sun Pharmaceutical Industries Limited	33 352 340	33 352 340
	156 528 504	**63 074 519**
Amounts included in trade payables regarding related parties		
Ranbaxy South Africa Proprietary Limited	(80 774 196)	(1 692 654)
Sonke Pharmaceuticals Proprietary Limited	(8 980 897)	(232 863)
Sun Pharmaceuticals SA Proprietary Limited	(56 294 994)	(30 934 598)
Sun Pharmaceutical Industries Limited	(419 130 660)	(98 384 515)
	(565 180 747)	**(131 244 630)**

Related party transactions

	2021 R	2020 R
Sales to related parties		
Sonke Pharmaceuticals Proprietary Limited	424 802 740	295 979 999
Purchases from related parties		
Sun Pharmaceuticals SA Proprietary Limited	(22 046 092)	(13 784 524)
Sun Pharmaceutical Industries Limited	(806 076 892)	(425 143 695)
Sun Pharmaceuticals Industries (Australia) Pty Ltd	(108 534)	-
	(828 231 518)	**(438 928 219)**

23. Directors' emoluments

Executive

2021

Directors' emoluments	**Basic salary**	**Bonuses and performance related payments**	**Pensions paid or receivable**	**Total**
Services as director or prescribed officer				
Person A	2 994 326	673 712	408 878	4 076 916
Person D	1 510 171	221 942	151 957	1 884 070
Director F	1 293 303	214 949	174 691	1 682 943
Director J	4 221 456	628 969	376 747	5 227 172

2020

Directors' emoluments	**Basic salary**	**Bonuses and performance related payments**	**Pensions paid or receivable**	**Total**
Services as director or prescribed officer				
Person A	2 845 768	519 716	390 313	3 755 797
Person D	1 461 927	80 173	144 983	1 687 083
Person F	1 190 518	168 578	157 285	1 516 381
Person J	3 005 870	496 665	362 376	3 864 911

24. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	**Amortised cost**	**Total**
Trade and other receivables	9	387 234 265	387 234 265
Cash and cash equivalents	10	98 667 166	98 667 166
		485 901 431	**485 901 431**

2020

	Note(s)	**Amortised cost**	**Total**
Trade and other receivables	9	181 263 837	181 263 837
Cash and cash equivalents	10	55 198 568	55 198 568
		236 462 405	**236 462 405**

	2021 R	2020 R

24. Comparative figures (continued)

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	12	605 500 915	-	605 500 915
Finance lease obligations	5	-	2 546 708	2 546 708
		605 500 915	**2 546 708**	**608 047 623**

2020

	Note(s)	Amortised cost	Total
Trade and other payables	12	219 252 417	219 252 417

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 manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

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.

The capital structure and gearing ratio of the company at the reporting date was as follows:

	Note(s)	2021 R	2020 R
Lease liabilities		2 546 708	-
Trade and other payables	12	686 153 671	283 459 888
Total borrowings		**688 700 379**	**283 459 888**
Cash and cash equivalents	10	(98 667 166)	(55 198 568)
Net borrowings		**590 033 213**	**228 261 320**
Equity		426 097 649	395 365 486

24. Comparative figures (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The committee reports quarterly to the board of directors on its activities.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable (at amortised cost), debt instruments at fair value through oci, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Trade and other receivables	9	409 441 055	(22 206 790)	387 234 265	209 799 402	(28 535 565)	181 263 837
Cash and cash equivalents	10	98 667 166	-	98 667 166	55 198 568	-	55 198 568
		508 108 221	**(22 206 790)**	**485 901 431**	**264 997 970**	**(28 535 565)**	**236 462 405**

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.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Notes to the Financial Statements

	2021 R	2020 R

24. Comparative figures (continued)

2021

	Note	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	5	-	2 134 560	2 134 560	2 134 560
Current liabilities					
Trade and other payables	12	605 500 915	-	605 500 915	605 500 915
Lease liabilities	5	412 148	-	412 148	412 148
		(605 913 063)	**(2 134 560)**	**(608 047 623)**	**(608 047 623)**

2020

	Note	Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	12	219 252 417	219 252 417	219 252 417

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars, Euros and Yen.

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

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:
US Dollar exposure:

	Note	2021	2020
Current assets:			
Trade and other receivables	9	-	53 762

25. 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.

26. Events after the reporting period

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