Sun Pharmaceuticals (SA) (Pty) Ltd

(Registration Number 2008/025010/07)

Annual Financial Statements

for the year ended 31 March 2020

Sun Pharmaceuticals (SA) (Pty) Ltd

(Registration Number 2008/025010/07)
Annual Financial Statements for the year ended 31 March 2020

Index

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2008/025010/07
Nature of Business and Principal Activities	Trade of Pharmaceutical goods and services
Directors	Sudhir Vrundavandas Valia Desmond William Brothers
Registered Office	Ground Floor, West Block, Tugela House Riverside Office Park 1303 Heuwel Avenue, Centurion Gauteng 0157
Business Address	Ground Floor, West Block, Tugela House Riverside Office Park 1303 Heuwel Avenue, Centurion Gauteng 0157
Postal Address	P O Box 10458 Centurion Gauteng 0046
Independent Auditors	Ernst & Young Inc.
Company Secretary	Grant Thornton
Independent Compilers	MFS Audit Tax and Advisory Inc Building 2, 21 Woodlands Drive Woodmead Country Club Estate Woodmead 2052

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company 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 directors set 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 and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their unqualified audit report is presented on pages 5 to 7.

The annual financial statements set out on pages 9 to 29 which have been prepared on the going concern basis, were approved by the directors and were signed on 9 July 2020.

Desmond William Brothers

Directors' Report

The directors present their report for the year ended 31 March 2020.

1. Review of activities

Main business and operations

The principal activity of the company is trade of pharmaceutical goods and services. There were no major changes herein during the year.

The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. 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.

3. Events after reporting date

Management has assessed the impact of the COVID 19 on South Africa and Global counter parts, in relation to Supply chain, Sales, Logistics, Human Resources and Operations.

Management has not identified a material impact on the company as a result of the aforementioned Pandemic and is able to manufacture and import pharmaceutical goods at acceptable levels based on expectations, orders have increased due to additional demand on certain product lines, however this is expected to be more of a cyclical movement, due to change in end customer behavior. No material impact is expected on customer collections due to COVID19, collections have remained timely during the period up and until the date of sign-off.

Thus, based on management’s assessment, there is no material impact arising from the Pandemic that would have an impact on the Financial Year results or subsequent to it, up and until the date of sign-off.

4. Authorised and issued share capital

No changes were approved or made to the authorised or issued share capital of the company during the year under review.

5. Dividend

No dividend was declared or paid to the shareholder during the year.

6. Directors

The directors of the company during the year and up to the date of this report are as follows:
Sudhir Vrundavandas Valia
Desmond William Brothers

7. Independent Auditors

Ernst & Young Inc. were the independent auditors for the year under review.

Independent Auditor's Report

To the Shareholders of Sun Pharmaceuticals South Africa Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Pharmaceuticals South Africa Proprietary Limited set out on pages 9 to 29, which comprise the statement of financial position as at 31 March 2020, 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 Sun Pharmaceuticals South Africa Proprietary Limited as at 31 March 2020, 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 sections 290 and 291 of the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)*, the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of Sun Pharmaceuticals South Africa Proprietary Limited. We have fulfilled our other ethical responsibilities as applicable, in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Sun Pharmaceuticals South Africa Proprietary Limited. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants (IESBA code)* and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the 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 the 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.

Suren Naidoo
Director

Registered Auditor

9 July 2020

102 Rivonia Road

Sandton
2196

AUDIT TAX & ADVISORY INC.
Chartered Accountants (SA)
Registered Auditors

Building 2, Woodmead Country Club Estate
21 Woodlands Drive, Woodmead, Johannesburg, 2052
T: 011 258 8681, E: info@mfsinc.co.za
www.mfsinc.co.za

Report of the Compiler

To the Directors of Sun Pharmaceuticals (SA) (Pty) Ltd

We have compiled the accompanying financial statements of Sun Pharmaceuticals (SA) (Pty) Ltd based on information you have provided. These financial statements comprise the statement of financial position of Sun Pharmaceuticals (SA) (Pty) Ltd as at 31 March 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with International Financial Reporting Standards.

MFS Audit Tax and Advisory Inc

9 July 2020

Muhammad Moolla
Partner
Chartered Accountant (SA)

Building 2, 21 Woodlands Drive
Woodmead Country Club Estate
Woodmead
2052

Statement of Financial Position

Figures in R	Notes	2020	2019
Current assets			
Inventories	4	3,203,896	655,778
Trade and other receivables	5	3,938,067	98,848
Loan to group company	7	30,934,598	15,082,394
Total current assets		**38,076,561**	**15,837,020**
Total assets		**38,076,561**	**15,837,020**
Equity and liabilities			
Equity			
Stated capital	8	1,000	1,000
Retained income / (accumulated loss)		207,836	(33,428)
Total equity		**208,836**	**(32,428)**
Liabilities			
Non-current liabilities			
Loans from group companies	12	-	20,598
Current liabilities			
Provisions	9	40,760	18,260
Trade and other payables	10	-	837,995
Current tax liabilities	6	89,115	-
Loans from group companies	12	37,737,850	14,992,595
Total current liabilities		**37,867,725**	**15,848,850**
Total liabilities		**37,867,725**	**15,869,448**
Total equity and liabilities		**38,076,561**	**15,837,020**

Statement of Profit or Loss and Other Comprehensive Income

Figures in R	2020	2019
Revenue	13,784,524	9,350,439
Cost of sales	(13,452,242)	(9,362,552)
Gross profit / (loss)	**332,282**	**(12,113)**
Administrative expenses	(22,501)	-
Profit / (loss) from operating activities	**309,781**	**(12,113)**
Finance income	20,598	-
Profit / (loss) before tax	**330,379**	**(12,113)**
Income tax expense	(89,115)	-
Profit / (loss) for the year	**241,264**	**(12,113)**

Sun Pharmaceuticals (SA) (Pty) Ltd

(Registration Number 2008/025010/07)

Financial Statements for the year ended 31 March 2020

Statement of Changes in Equity

Figures in R		Stated capital	Retained income / (accumulated loss)	Total
Balance at 1 April 2018		1,000	(21,315)	(20,315)
Changes in equity				
Loss for the year		-	(12,113)	(12,113)
Total comprehensive income		-	(12,113)	(12,113)
Balance at 31 March 2019		**1,000**	**(33,428)**	**(32,428)**
Balance at 1 April 2019		1,000	(33,428)	(32,428)
Changes in equity				
Profit for the year		-	241,264	241,264
Total comprehensive income		-	241,264	241,264
Balance at 31 March 2020	**1,000**	**207,836**	**208,836**	
	Notes	**8**		

Statement of Cash Flows

Figures in R	2020	2019
Cash flows (used in) / from operations		
Profit / (loss) for the year	**241,264**	**(12,113)**
Adjustments to reconcile profit / (loss)		
Adjustments for income tax expense	89,115	-
Adjustments for finance income	(20,598)	-
Adjustments for increase in inventories	(2,548,118)	(655,778)
Adjustments for increase in other operating receivables	(3,839,219)	(98,848)
Adjustments for (decrease) / increase in trade accounts payable	(837,995)	837,995
Adjustments for decrease in other operating payables	-	(4,312)
Adjustments for provisions	22,500	-
Total adjustments to reconcile profit / (loss)	**(7,134,315)**	**79,057**
Net cash flows (used in) / from operations	**(6,893,051)**	**66,944**
Income taxes paid	-	(8,654)
Net cash flows (used in) / from operating activities	**(6,893,051)**	**58,290**
Cash flows used in investing activities		
Purchase of other financial assets	(15,852,204)	(10,753,005)
Cash flows used in investing activities	**(15,852,204)**	**(10,753,005)**
Cash flows from financing activities		
Proceeds from other financial liabilities	22,745,255	10,694,715
Cash flows from financing activities	**22,745,255**	**10,694,715**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The financial statements of Sun Pharmaceuticals (SA) (Pty) Ltd have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The principal accounting policies applied in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that is:
- cash;
- an equity instrument of another entity;
- a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include puttable financial instruments classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

A financial liability is any liability that is:
- a contractual obligation to deliver cash or another financial asset to another entity to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.
- a contract that will or may be settled in the entity's own equity instruments and is a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments or a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also, for these purposes the entity's own equity instruments do not include puttable financial instruments that are classified as equity instruments in accordance with paragraphs 16A and 16B, instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation and are classified as equity instruments in accordance with paragraphs 16C and 16D, or instruments that are contracts for the future receipt or delivery of the entity's own equity instruments.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and meets the conditions in paragraphs 16A and 16B or paragraphs 16C and 16D of ISA32.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

A financial liability at fair value through profit or loss is a financial liability that meets one of the following conditions:

- It meets the definition of held for trading. A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument);
- upon initial recognition it is designated by the entity as at fair value through profit or loss in accordance with paragraph 4.2.2 or 4.3.5
- it is designated either upon initial recognition or subsequently as at fair value through profit or loss in accordance with paragraph 6.7.1

Classification and recognition

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The company classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The company classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Recognition

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset.

Initial measurement

Financial assets

When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Basis of preparation and summary of significant accounting policies continued...

Subsequent measurement

Financial assets

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and cash flow characteristics of the asset. Debt instruments are subsequently measured at:

- Amortised cost: assets held only for collection of principal and interest payments
  - Interest income is included in finance income using the effective interest rate method.
  - Any gain or loss on derecognition is recognised in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses.
  - Impairment losses are presented as a separate line item in the statement of profit or loss.
  - The company's financial assets at amortised cost includes trade receivables, and loans to associates and directors included under other non-current financial assets.
- Fair value through OCI: assets held only for collection of principal and interest payments and for selling the financial assets
  - Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.
  - When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).
  - Interest income from these financial assets is included in finance income using the effective interest rate method.
  - Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
  - The company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.
  - The company elected to classify irrevocably its non-listed equity investments under this category.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.
  - The company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in OCI.
  - This category includes derivative instruments and listed equity investments which the company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Equity instruments

All equity investments are subsequently measured at fair value.

- Fair value through OCI: elected to present fair value gains and losses on equity investments in OCI
  - There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.
  - Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.
  - Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.
- Fair value through profit or loss: assets that do not meet the criteria for amortised cost or fair value through OCI
  - Changes in the fair value are recognised in other gains/(losses) in the statement of profit or loss as applicable.

Basis of preparation and summary of significant accounting policies continued...

Financial liabilities

- Fair value through profit or loss: financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss
    - Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.
    - This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.
    - Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.
    - Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.
    - Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.
- Amortised cost: Loans and borrowings
    - After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.
    - Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.
    - Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.
    - The effective interest rate amortisation is included as finance costs in the statement of profit or loss.
    - This category generally applies to interest-bearing loans and borrowings.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when it is transferred and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Impairment of financial assets

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.

Basis of preparation and summary of significant accounting policies continued...

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 credit exposures with significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime 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.

For debt instruments at fair value through OCI, the low credit risk simplification is applied. At every reporting date, the company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. The internal credit rating of the debt instrument is reassessed during this evaluation. It is also considered whether there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The company's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the XXX Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the company's policy to measure expected credit losses on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. The company uses the ratings from the XXX Credit Rating Agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate expected credit losses.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Accounting policies applied until 31 March 2019

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

Classification

Until 31 March 2019, the company classified its financial assets and financial liabilities in the following categories:

- Financial assets at fair value through profit or loss - held for trading
- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities at fair value through profit or loss - designated
- Financial liabilities measured at amortised cost

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Basis of preparation and summary of significant accounting policies continued...

The company could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the company could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the company had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9 - refer to description above.

Loans and receivables and held-to-maturity investments were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

Details on how the fair value of financial instruments is determined are disclosed in the note on Fair value measurements.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

Impairment

The company assessed at the end of each reporting period whether there was any objective evidence that a financial asset or group of financial assets was impaired. If any such evidence existed, the extent of the impairment was determined.

Impairment losses in financial assets carried at amortised cost were recognised in profit or loss.

Impairment losses were reversed when an increase in the financial asset's recoverable amount could be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment was reversed could not exceed what the carrying amount would have been had the impairment not been recognised.

Impairment losses on financial assets available-for-sale was removed from equity and recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period. Reversals of impairment losses were recognised in profit or loss except for equity investments classified as available-for-sale.

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Loans to (from) group companies

These can include loans between holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

The loan to group company is classified as a financial asset at amortised cost, and is are initially measured at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest method.

The loans from group companies are classified as financial assets at amortised cost, and are are initially measured at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest method.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. 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.

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

Up to 31 March 2019, trade receivables were recognised initially at the transaction price. They were subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables was established when there was objective evidence that the company would not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables were classified as loans and receivables up to 31 March 2019.

Trade and other payables

Trade payables are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

1.2 Inventories

Measurement

Inventories are measured at the lower of cost and net realisable value using either the first-in-first-out or weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use.

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.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

1.3 Provisions and contingencies

A provision is a liability of uncertain timing or amount. A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

A contingent liability is:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A provision is recognised when:
- there is a a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating losses.

The present obligation under an onerous contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when:
- there is a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented; and
- there has been raised a valid expectation in those affected that the restructuring will be carried out by starting to implement that plan or announcing its main features to those affected by it.

Basis of preparation and summary of significant accounting policies continued...

After initial recognition and until the liability is settled, cancelled or expires, a contingent liability is recognised in a business combination at the higher of the amount that would be recognised as a provision, and the amount initially recognised less cumulative amortisation.

Contingent assets and liabilities are not recognised, but details are disclosed in the notes to the annual financial statements.

1.4 Revenue from contracts with customers

Revenue is income arising in the course of an entity's ordinary activities.

The company is in the business of pharmceutical goods

A contract with a customer is recognised when all of the following criteria are met:
- the contract has been approved and all parties to the contract are committed to performing their respective obligations;
- each party's rights regarding the goods or services to be transferred are identifiable;
- payment terms for the goods or services to be transferred are identifiable;
- the contract has commercial substance; and
- it is probable that the consideration in exchange for the goods or services that will be transferred will be collected.

At the inception of a contract, the goods or services promised in the contract are assessed and a performance obligation is identified for each promise to transfer to the customer either:
- a good or service that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer.

Revenue is is recognised when or as the performance obligation is satisfied by transferring a promised good or service to a customer. Assets are transferred when or as the customer obtains control of that asset.

Measurement

When a performance obligation is satisfied, revenue is recognised as the amount of the transaction price that is allocated to the performance obligation, but excluding estimates of variable consideration that are constrained and any amounts collected on behalf of third parties. The transaction price may include fixed amounts, variable amounts, or both.

The company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customer.

The company recognises as an asset the incremental costs of obtaining a contract with a customer if the company expects to recover those costs.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:
- the costs relate directly to a contract or to an anticipated contract that the company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Basis of preparation and summary of significant accounting policies continued...

When either party to a contract has performed, the company presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the company's performance and the customer's payment. The company presents any unconditional rights to consideration separately as a receivable.

Sale of pharmaceutical products

Revenue from sale of of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 days upon delivery.

The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

1.5 Related parties

A related party is a person or entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person:
  - has control or joint control of the reporting entity;
  - has significant influence over the reporting entity; or
  - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - Both entities are joint ventures of the same third party;
  - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
  - The entity is controlled or jointly controlled by a person identified as a related party;
  - A person identified as having control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

2. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements continued...

2.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2.1.1 Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

3. Changes in accounting policies and disclosures

3.1 Standards and Interpretations effective and adopted in the current year

In the current year, the company has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2019.

At the date of authorisation of these financial statements for the year ended 31 March 2020, the following IFRSs were adopted:

IFRIC 23 Uncertainty over Income Tax Treatments
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- whether tax treatments should be considered collectively
- assumptions for taxation authorities' examinations
- the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- the effect of changes in facts and circumstances

Annual Improvements to IFRS Standards 2015–2017 Cycle
Makes amendments to the following standards:

- IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Application of the above standards did not impact these financial statements.

Accounting Policies

Changes in accounting policies and disclosures continued...

3.2 New standards and interpretations not yet adopted

The company has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 April 2019 (the list does not include information about new requirements that affect interim financial reporting or first-time adopters of IFRS since they are not relevant to the company). The directors anticipate that the new standards, amendments and interpretations will be adopted in the company's financial statements when they become effective. The company has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Anticipated impact

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

The mandatory implementation required by the standard is for years beginning on or after 1 January 2020. This change in accounting policy will be implemented for the first time for the financial year ending 31 March 2021.

Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Anticipated impact

It is unlikely that the amendment will have a material impact on the company's annual financial statements.

The mandatory implementation required by the standard is for years beginning on or after 1 January 2020. This change in accounting policy will be implemented for the first time for the financial year ending 31 March 2021.

Notes to the Financial Statements

Figures in R	2020	2019

4. Inventories

Inventories comprise:

Finished goods	3,203,896	624,546
Goods in transit	-	31,232
	3,203,896	**655,778**

5. Trade and other receivables

Trade and other receivables comprise:

Value added tax	3,938,067	98,848
Total trade and other receivables	**3,938,067**	**98,848**

6. Current tax liabilities

Current tax liabilities comprise the following balances

Current tax liabilities that cannot be set off	(89,115)	-
Total current tax liability per the statement of financial position	**(89,115)**	**-**

7. Loan to group company

Loan to group company comprise the following balances

Ranbaxy Pharmaceuticals (Pty) Ltd	30,934,598	15,082,394
The loan is unsecured, interest free and has no fixed terms of repayment.		
	30,934,598	**15,082,394**

8. Stated capital

Authorised and issued share capital

Authorised		
1000 Ordinary shares of non par value	1,000	1,000
Issued		
1000 Ordinary shares of non par value	1,000	1,000

Notes to the Financial Statements

Figures in R	2020	2019
9. Provisions		
Provisions comprise:		
Provision for audit fees	40,760	18,260
10. Trade and other payables		
Trade and other payables comprise:		
Trade creditors	-	837,995
Total trade and other payables	**-**	**837,995**
11. Financial liabilities		
12. Loans from group companies		
Loans from group companies comprise:		
Sun Pharma Global FZE	-	20,598
Sun Pharma Industries Limited	28,936,549	14,992,595
Ranbaxy Pharmaceuticals (Pty) Ltd	8,801,301	-
	37,737,850	**15,013,193**
Non-current liabilities	-	20,598
Current liabilities	37,737,850	14,992,595
	37,737,850	**15,013,193**

13. Related parties

13.1 Group companies

Parent company	Sun Pharma (Netherlands) BV incorporated in Netherlands
Ultimate parent	Sun Pharmaceuticals Industries Limited incorporated in India
Sister Company	Sun Pharma Global FZE
Sister Company	Ranbaxy Pharmaceuticals (Pty) Ltd

Notes to the Financial Statements

Figures in R	2020	2019

Related parties continued...

13.2 Related party transactions and balances

	Parent	Sun Pharma Global FZE	Ranbaxy Pharmaceuticals (Pty) Ltd	Sun Pharmaceuticals Industries Limited	Total
Year ended 31 March 2020					
Related party transactions					
Purchases of goods	-	-	-	15,982,130	**15,982,130**
Revenue from sale of goods	-	-	13,784,524	-	**13,784,524**
Outstanding balances for related party transactions					
Amounts payable	-	-	(8,801,301)	(28,936,549)	**(37,737,850)**
Amounts receivable	-	-	30,934,598	-	**30,934,598**
Year ended 31 March 2019					
Related party transactions					
Purchases of goods	3,728,744	-	569,136	-	**4,297,880**
Outstanding balances for related party transactions					
Amounts payable	(3,728,744)	-	(569,136)	-	**(4,297,880)**
Outstanding loan accounts					
Amounts payable	-	(20,598)	-	-	**(20,598)**

14. Events after the reporting date

COVID 19 Pandemic

Management has assessed the impact of the COVID 19 on South Africa and Global counter parts, in relation to Supply chain, Sales, Logistics, Human Resources and Operations.

Management has not identified a material impact on the company as a result of the aforementioned Pandemic and is able to manufacture and import pharmaceutical goods at acceptable levels based on expectations, orders have increased due to additional demand on certain product lines, however this is expected to be more of a cyclical movement, due to change in end customer behavior. No material impact is expected on customer collections due to COVID19, collections have remained timely during the period up and until the date of sign-off.

Thus, based on management's assessment, there is no material impact arising from the Pandemic that would have an impact on the Financial Year results or subsequent to it, up and until the date of sign-off.

The effect on the current period is as follows:

Notes to the Financial Statements

Figures in R	2020	2019

15. Financial risk management

This note explains the company's exposure to financial risks and how these risks could affect the company's future financial performance. Current year profit and loss information has been included where relevant to add further context.

15.1 Market risk

15.1.1 Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

15.2 Liquidity risk

Cash flow forecasting is performed in the operating entities of the company in and aggregated by company finance. Company finance monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs.