Sun Pharmaceuticals SA (Pty) Ltd
(Registration Number: 2008/025010/07)

Financial statements
for the year ended 31 March 2022

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General information

Country of incorporation and Domicile	South Africa
Company 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 157
Business address	Ground Floor, West Block, Tugela House Riverside Office Park 1303 Heuwel Avenue, Centurion Gauteng 157
Postal address	PO Box 10458 Centurion Gauteng 0157
Auditors	Ernst & Young Inc.
Company Secretary	SNG Grant Thornton

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 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 annual financial statements have been audited by the independent auditing firm, Ernst & Young Inc., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholder, the directors and committees of the directors. The directors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 7 to 9.

The annual financial statements set out on pages 10 to 34 which have been prepared on the going concern basis, were approved by the directors and were signed on 06 May 2022 on their behalf by:

A. Ajoodha	**D.W. Brothers**
Director	Director

Directors' Report

The Directors of Sun Pharmaceuticals SA (Pty) Ltd present their report for the year ended 31 March 2022.

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.

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.

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.

Directors

The directors of Sun Pharmaceuticals SA (Pty) Ltd during the year and up to the date of this report are as follows:
- Sudhir Vrundavandas Valia
- Desmond William Brothers

Dividends

The company declared no dividends during the financial year (2021: R0).

Share capital

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

Independent Auditors

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

Directors' Report (continued)

Events arising since the end of the reporting period

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 behaviour. 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.

Sun Pharmaceuticals SA (Pty) Ltd
Statement of Comprehensive Income and Retained Earnings
for the year ended 31 March 2022

	Notes	2022	2021
		R	R
Revenue	2	2,545,487	22,046,092
Cost of sales		(2,528,858)	(21,191,682)
Gross profit		**16,629**	**854,410**
Other income	3	14,374	54,507
Operating expenses		(4,144)	(22,330)
Administrative expenses		(176)	(18,260)
Other expenses		(3,968)	(4,070)
Profit / (Loss) before interest & tax		**26,859**	**886,587**
Finance costs	4	(63,137)	0
Profit / (Loss) before tax	**5**	**(36,279)**	**886,587**
Income tax expense	6	0	(239,235)
Profit / (Loss) for the year		**(36,279)**	**647,352**

Sun Pharmaceuticals SA (Pty) Ltd
Statement of Financial Position
at 31 March 2022

	Notes	2022	2021
		R	R
ASSETS			
Current assets			
Inventories	7	0	0
Tax advance		174,364	91,652
Cash and cash equivalents		426	0
Trade and other receivables	8	54,189,319	60,065,321
		54,364,109	**60,156,973**
Total assets		**54,364,109**	**60,156,973**
EQUITY & LIABILITIES			
Equity			
Share capital	9	(1,000)	(1,000)
Retained earnings		(818,909)	(855,188)
		(819,909)	**(856,188)**
Current liabilities			
Trade payables	10	(53,485,180)	(59,241,765)
Tax liabilities		0	0
Provisions	11	(59,020)	(59,020)
		(53,544,200)	**(59,300,785)**
Total liabilities		**(53,544,200)**	**(59,300,785)**
Total equity & liabilities		**(54,364,109)**	**(60,156,973)**

Sun Pharmaceuticals SA (Pty) Ltd
Statement of changes in Equity
for the year ended 31 March 2022

	Share Capital	Reserves	Retained Earnings	Total
	R	R	R	R
At 01 April 2020	**1,000**	**0**	**207,836**	**208,836**
Profit / (Loss) for the year	0	0	647,352	647,352
Movement in reserves	0	0	0	0
Dividends	0	0	0	0
Shares issued	0	0	0	0
At 31 March 2021	**1,000**	**0**	**855,188**	**856,188**
Profit / (Loss) for the year	0	0	(36,279)	(36,279)
Movement in reserves	0	0	0	0
Dividends	0	0	0	0
Shares issued	0	0	0	0
At 31 March 2022	**1,000**	**0**	**818,909**	**819,909**

Sun Pharmaceuticals SA (Pty) Ltd
Statement of Cash Flows
for the year ended 31 March 2022

	Notes	2022	2021
		R	R
Cash flows from operating activities			
Profit / (Loss) for the year		(36,279)	647,352
- Finance costs		63,137	0
- Income taxes		0	239,235
- Interest received		(14,374)	(54,507)
Adjustments for non-cash income and expenses:			
- Increase / (Decrease) in provisions		0	18,260
- SARS interest capitalized but not received in cash		0	0
Changes in operating assets and liabilities:			
- Decrease / (Increase) in trade and other receivables		5,876,002	167,741
- Decrease / (Increase) in inventories		0	3,203,896
- Increase / (Decrease) in trade and other payables		(5,756,585)	13,700
Cash generated from operations		**131,902**	**4,235,677**
Income tax paid		(82,712)	(420,003)
Interest received		14,374	54,507
Finance cost		(63,137)	
Net cash from operating activities		**426**	**3,870,181**
Cash flows from investing activities			
Purchase of other financial assets		0	(25,360,396)
Net cash used in investing activities		**0**	**(25,360,396)**
Cash flows from financing activities			
Proceeds from other financial liabilities		0	21,490,215
Net cash used in financing activities		**0**	**21,490,215**

1. Basis of preparation and 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 group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and/or separate financial statements are disclosed in the report.

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

Revenue from contract with customers

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

The company is in the business of pharmaceutical 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.

Basis of preparation and summary of significant accounting policies continued…

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.

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, non-cash consideration, and consideration payable to the customer (if any).

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.

Related parties continued…

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.

Critical accounting estimates and judgements

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.

Income tax

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.

Changes in accounting policies and disclosures

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 2021.

At the date of authorisation of these financial statements for the year ended 31 March 2021, 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.

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.

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

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.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently carried at amortised cost.

Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

• Raw materials: purchase cost on a first-in/first-out basis;
• Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials.

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

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.

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

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 Instruments (continued)

Financial assets classification

The group 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 group 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

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.

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:

Financial Instruments (continued)

• 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.

Financial Instruments (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 statements 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.

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 2022, 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 2022.

Trade payables

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

Provisions and contingencies

Provisions are recognised when the Company has 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. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

Dividend distribution

Dividend distribution to the company’s shareholders is recognised as a liability in the period in which the dividends are approved by the company’s shareholders.

Sun Pharmaceuticals SA (Pty) Ltd
Accounting policies & explanatory notes to the financial statements
for the year ended 31 March 2022 (continued)

2. Revenue

	2022	2021
	R	R
Sales	2,545,487	22,046,092
	2,545,487	22,046,092

3. Other income

	2022	2021
	R	R
Interest received	14,374	54,507
	14,374	54,507

4. Finance costs

	2022	2021
	R	R
Interest on loans and overdraft	0	0
Interest received on overpayment on provisional tax	(63,137)	0
	(63,137)	0

5. Profit before tax

The following items have been recognised as income / (expenses) in determining profit before tax:

	2022	2021
	R	R
Cost of inventories recognised as expense	(2,528,858)	(21,191,682)

6. Income tax expense

	2022	2021
	R	R
Current taxation	0	(239,235)
	0	(239,235)

Income tax is calculated at 28.0 per cent (2021: 28.0 per cent) of the estimated assessable profit for the year.

Tax rate reconciliation

	2022	2021
Corporate tax rate	28.0	28.0
Assessed loss carried over from prior year	0.0	0.0
Prior year (over) / under estimation	0.0	0.0
Other	0.0	0.8
Effective tax rate	28.0	28.8

7. Inventories

	2022	2021
	R	R
Raw materials	0	0
Work in progress	0	0
Finished goods	0	0
	0	0

8. Trade and other receivables

	2022	**2021**
	R	R
Trade debtors		
Value Added Tax	4,476,797	3,770,327
Amounts due by related parties	49,712,522	56,294,994
	54,189,319	60,065,321

9. Share capital

	2022	**2021**
	R	R
Issued share capital	(1,000)	(1,000)

The share capital balances comprise -1,000 ordinary shares (2021: -1,000) with a par value of R1.00 fully paid, issued and outstanding. An additional 1,000 shares (2021: 1,000) are legally authorised but unissued.

10. Trade and other payables

	2022	**2021**
	R	R
Trade creditors	(13,699)	13,700
Amounts due to related parties	(53,471,480)	59,228,065
	(53,485,180)	59,241,765

11. Provisions

	At 1 April 2021	**Additions**	**Charges & Reversals**	**At 31 March 2022**
	R	R	R	R
Audit Fees	(59,020)	0	0	(59,020)
	(59,020)	**0**	**0**	**(59,020)**

A total of R0 (2021: R0) of the previous year's provisions were unused and reversed during the current reporting period.

12. Contingent liabilities

No contingent liabilities during period noted.

13. Events after the end of the reporting period

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 behaviour. 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.

14. Related parties

Group companies

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

Related party transactions and balances

	Ranbaxy Pharmaceuticals (Pty) Ltd	**Sun Pharmaceuticals Industries Limited**	**Total**
Year ended 31 March 2022			
Related party transactions			
Purchases of goods		(2,430,745)	(2,430,745)
Revenue from sale of goods	2,545,487		2,545,487
Outstanding balances			
Amounts payable	(49,956,511)	(3,514,969)	(53,471,480)
Amounts receivable	49,712,522		49,712,522
Year ended 31 March 2021			
Related party transactions			
Purchases of goods		(17,687,704)	(17,687,704)
Revenue from sale of goods	22,046,092		22,046,092
Outstanding balances			
Amounts payable	(47,972,106)	(11,255,959)	(59,228,065)
Amounts receivable	56,294,994		56,294,994

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.