Ranbaxy Pharmaceuticals (Pty) Ltd

(Registration Number 1993/003111/07)

Annual Financial Statements

for the year ended 31 March 2020

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General Information

Country of Incorporation and Domicile	South Africa
Registration Number	1993/003111/07
Nature of Business and Principal Activities	Import, marketing, manufacturing and trade of pharmaceutical goods and services
Directors	DW Brothers M Kaszas A Ajoodha DMV Sewnarian
Registered Office	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Business Address	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Postal Address	P O Box 43486 Industria Gauteng 2042
Level of Assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Auditors	Ernst & Young Inc. 102 Rivonia Road Dennehof Sandton 2196
Company Secretary	Grant Thornton
Independent Compilers	MFS Audit Tax & Advisory Inc. Woodmead Country Club Estate 21 Woodlands Drive 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 , 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 4 to 5.

The consolidated and separate annual financial statements set out on pages 6 to 37 which have been prepared on the going concern basis, were approved by the directors and were signed on 12 June 2019 on their behalf by:

DW Brothers	M Kaszas
A Ajoodha	DMV Sewnarian

Independent Auditor's Report

To the Shareholder of Ranbaxy Pharmaceuticals (Pty) Ltd

Opinion

We have audited the financial statements of Ranbaxy Pharmaceuticals (Pty) Ltd (the group) set out on pages 6 to 37, which comprise the statements of financial position as at 31 March 2020, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements 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 the group 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 group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). 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 as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's reports 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 on the other information obtained prior to the date of this auditor's report, 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 group'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 group 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 group and 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 group'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 group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Inc.

12 June 2019

Per:
Director / Partner
Chartered Accountant (SA)

102 Rivonia Road
Dennehof
Sandton
2196

Statements of Financial Position

Figures in R	Notes	Company 2020	Company 2019
Assets			
Non-current assets			
Property, plant and equipment	4	62,059,119	62,376,897
Intangible assets	5	533,081	396,151
Total non-current assets		**62,592,200**	**62,773,048**
Current assets			
Inventories	6	364,472,746	388,070,946
Trade and other receivables	7	182,149,461	269,739,078
Cash and cash equivalents	9	53,972,562	80,634,359
Total current assets		**600,594,769**	**738,444,383**
Total assets		**663,186,969**	**801,217,431**
Equity and liabilities			
Equity			
Issued capital	10	200,000,200	200,000,200
Share premium	10	500,000,000	500,000,000
Retained income / (accumulated loss)		(306,822,682)	(345,525,845)
Total equity		**393,177,518**	**354,474,355**
Liabilities			
Current liabilities			
Trade and other payables	11	270,009,451	446,743,076
Total liabilities		**270,009,451**	**446,743,076**
Total equity and liabilities		**663,186,969**	**801,217,431**

Statements of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	Company 2020	Company 2019
Revenue	15	933,649,251	1,007,249,932
Cost of sales	16	(671,763,672)	(750,758,460)
Gross profit		**261,885,579**	**256,491,472**
Other income	17	1,693,531	2,123,500
Other expenses		(230,365,949)	(197,613,299)
Profit from operating activities		**33,213,161**	**61,001,673**
Finance income	18	5,490,002	5,854,886
Finance costs	19	-	(23,872,099)
Profit for the year		**38,703,163**	**42,984,460**

Statements of Changes in Equity - Company

Figures in R		Issued capital	Share premium	Reserve fund	Retained income / (accumulated loss)	Total
Balance at 1 April 2018		200,000,000	-	(3,304,567)	(388,510,305)	(191,814,872)
Changes in equity						
Profit for the year		-	-	-	42,984,460	42,984,460
Total comprehensive income		-	-	-	42,984,460	42,984,460
Change in group structure		200	500,000,000	3,304,567	-	503,304,767
Balance at 31 March 2019		**200,000,200**	**500,000,000**	**-**	**(345,525,845)**	**354,474,355**
Balance at 1 April 2019		200,000,200	500,000,000	-	(345,525,845)	354,474,355
Changes in equity						
Profit for the year		-	-	-	38,703,163	38,703,163
Total comprehensive income		-	-	-	38,703,163	38,703,163
Balance at 31 March 2020		**200,000,200**	**500,000,000**	**-**	**(306,822,682)**	**393,177,518**
	Notes	**10**	**10**			

Statements of Cash Flows

Figures in R	Notes	Company 2020	Company 2019
Net cash flows used in operations	24	**(25,797,806)**	**(338,476,827)**
Interest paid		-	(23,872,099)
Interest received		5,490,002	5,854,886
Net cash flows used in operating activities		**(20,307,804)**	**(356,494,040)**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(6,142,775)	(16,381,815)
Purchase of intangible assets		(211,218)	(11,643)
Cash flows used in investing activities		**(6,353,993)**	**(16,393,458)**
Cash flows from financing activities			
Changes in issued capital		-	500,000,200
Proceeds from other financial liabilities		-	(228,687,878)
Cash flows from financing activities		**-**	**271,312,322**
Net decrease in cash and cash equivalents		**(26,661,797)**	**(101,575,176)**
Cash and cash equivalents at beginning of the year		80,634,359	178,884,855
Cash and cash equivalents at end of the year	**9**	**53,972,562**	**80,634,359**

Accounting Policies

1. Basis of preparation and summary of significant accounting policies

The financial statements of Ranbaxy Pharmaceuticals (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 separate financial statements are disclosed in note 2.

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.

1.1 Property, plant and equipment

Definition
Property, plant and equipment are tangible items that:
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

Recognition
Property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement
An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:
- its purchase price, including import duties and non- refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model
After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

Where the entity replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Accounting Policies

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

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	Useful life / depreciation rate
Land	indefinite
Leasehold improvements	10 to 33.33% pa
Machinery	5 to 25 years
Motor vehicles	5 years
Fixtures and fittings	6 years
Office equipment	6 years
Computer equipment	3 years
Construction in progress	10 to 33.33% pa

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if it is required by another standard.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up are included in profit or loss when the compensation becomes receivable.

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

1.2 Intangible assets

Definition
An intangible asset is an identifiable non-monetary asset without physical substance. The asset is determined to be identifiable if it either is separable, or arises from contractual or other legal rights.

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

An assessment of the probability of expected future economic benefits that will flow to the entity as a result of the use of an asset is made by management before the asset is recognised. This includes using reasonable and supportive assumptions that represent a best estimate of the set of economic conditions that will exist over the useful life of the asset.

Initial measurement
Intangible assets are initially measured at cost.

Separately acquired assets are initially measured at their purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

Acquisitions as part of a business combination are initially measured at fair value at acquisition date.

Acquisitions by way of a government grants are initially measured at fair value.

Internally generated goodwill is not recognised as an asset.

The cost of assets acquired through an exchange of assets is measured at fair value at acquisition date unless the exchange lacks commercial substance, or the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is immediately measured in this way even if the asset given up cannot immediately be derecognised. If the acquired asset is not measured at fair value, its cost is measured using the carrying amount of the asset given up.

Internally generated intangible assets are recognised initially at cost, being the sum of expenditure from the date the recognition criteria for an intangible asset are met, bearing in mind the following additional criteria:
- During the research phase, no intangible asset is recognised. Expenditure on research is recognised as an expense when it is incurred.
- During the development phase, an intangible asset will be recognised only if the following can be demonstrated:
    - it is technically feasible to complete the intangible asset so that it will be available for use or sale;
    - there is an intention to complete the intangible asset and use or sell it;
    - there is an ability to use or sell the intangible asset;
    - it is possible to demonstrate how the asset will generate probable future economic benefits;
    - there are available financial, technical and other resources to complete the development of the intangible asset as well as to use or sell the intangible asset;
    - the expenditure attributable to the intangible asset during the development phase can be reliably measured.

Accounting Policies

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

Research or development expenditure related to an in-process research or development project acquired separately or in a business combination and recognised as an intangible asset and is incurred after the acquisition of that project is also accounted for in this way.

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

Expenditure on an intangible asset is recognised as an expense when it is incurred unless it is part of the cost of an intangible asset that meets the recognition criteria or if the item is acquired in a business combination and cannot be recognised as an intangible asset it is recognised as part of goodwill at the acquisition date. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

Subsequent measurement - Cost model

After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation

An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with an indefinite useful life are not amortised, but is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The intangible asset's determination as having an indefinite useful life is also reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

For other intangible assets amortisation is allocated on a systematic basis over its useful life. Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

The residual values of intangibles assets are assumed zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and:
    - residual value can be determined by reference to that market; and
    - it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

The classification of useful lives and amortisation methods for the various classes of assets are as follows:

Asset class	Internally generated or other	Useful life classification	Useful life / amortisation rate
Computer software	Other	Finite	2 years
Copyrights, patents and other industrial property rights, service and operating rights	Other	Finite	5 years

Accounting Policies

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

Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of intangible assets is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount. The resulting impairment loss is recognised immediately in profit or loss, except where the decrease reverses a previously recognised revaluation increase for the same asset in which case the decrease is recognised in other comprehensive income to that extent and reduces the amount accumulated in equity under revaluation surplus, and future depreciation charges are adjusted in future periods to allocate the revised carrying amount, less its residual value, on a systematic basis over its remaining useful life.

Where the estimated impairment loss exceeds the carrying amount of the asset to which it relates, the resulting liability is only recognised if required by another standard.

1.3 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.

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 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

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.

Accounting Policies

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.

Accounting Policies

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 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.

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.

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.

All state debt is tender related and covered under a contrct with National Department of Health, thus a legally bound relationship exist and will continue to exist as demonstrated in other tender related business. When Tender contracts expire, management takes a forward looking view on the recoverability of outstanding debt as per the expired contracts, and this is provided for over and above the company's standard creteria noted above. Based on historical events, the State continues to pay debt related to expired tender agreements and as such we expect this trend to continue, as we have a mutually beneficial relationship and the entity is still engaged in other active contracts and as such, no separation of trade has occurred.

Due to thorough methodology and the hindsight review, management is confident that the current methodology remains appropriate.

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

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

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.

Other financial assets

Other financial assets are recognised initially at the fair value, including transaction costs except where the asset will subsequently be measured at fair value.

Other financial assets that are equity investments are subsequently measured at fair value through profit or loss. Other investments are subsequently measured at cost less impairment.

Other financial assets that are debt instruments are subsequently measured at amortised cost. Interest income is recognised on the basis of the effective interest method and is included in finance income.

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.

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.

1.4 Inventories

Definition

Inventories are assets:

- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Recognition

Inventories are recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

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.

Accounting Policies

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

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.

Agriculture inventories comprising agricultural produce that have been harvested from biological assets are measured on initial recognition at their fair value less costs to sell at the point of harvest. This is considered the cost of the inventories at that date.

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

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and the write-down or reversal is recognised against the expense as indicated above.

A provision is maintained for obsolete or damaged inventory. The level of the provision for obsolete inventory is equivalent to the value of the difference between the cost of the inventory and its net realisable value or current replacement cost at financial year-end. Movements in this provision are included in the expense recognised as indicated above.

1.5 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:
- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Current tax assets and liabilities
Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. The amount already paid in respect of current and prior periods which exceeds the amount due for those periods, is recognised as an asset.

The benefit relating to a tax loss that can be carried back to recover current tax of a previous period is recognised as an asset.

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

Accounting Policies

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

Current tax assets and liabilities are offset only where:
- there is a legally enforceable right to set off the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:
- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:
- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and deferred tax assets are made to reflect the tax consequences that would follow from the manner in which it is expected, at the end of the reporting period, recovery or settlement if temporary differences will occur.

Deferred tax assets and liabilities are offset only where:
- there is a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same entity within the group or different taxable entities within the group which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax expense (income)

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:
- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

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

1.6 Leases

Definition

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Classification

A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases as lessee

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statements of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine. Where it is not, the incremental borrowing rate of the group is used. Any initial direct costs are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

A finance lease gives rise to depreciation expense for depreciable assets as well as finance expense for each accounting period. Depreciation is charged in accordance with the policy set out for property, plant and equipment and intangible assets (whichever is applicable).

1.7 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to an entity during a period, the contribution payable to a defined contribution plan in exchange for that service is recognised:

- as a liability, after deducting any contribution already paid. Where the contribution already paid exceeds the contribution due for service before the end of the reporting period, the excess is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.
- as an expense, except where the amount is allowed as an inclusion in the cost of an asset.

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.

Accounting Policies

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 2014.

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

Definition of a Business (Amendments to IFRS 3)

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

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.

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.

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

3.2 New standards and interpretations not yet adopted

There were no new and revised pronouncements selected for adoption in the future.

Notes to the Annual Financial Statements

Figures in R

4. Property, plant and equipment

4.1 Balances at year end and movements for the year

	Land	Leasehold improvements	Machinery	Motor vehicles	Fixtures and fittings	Office equipment	Computer equipment	Construction in progress	Total
Reconciliation for the year ended 31 March 2020									
Balance at 1 April 2019									
At cost	16,420,902	114,116,881	255,137,642	1,299,362	7,638,383	772,601	2,991,895	4,463,474	**402,841,140**
Accumulated depreciation	-	(110,561,364)	(219,175,675)	(581,310)	(7,339,301)	(699,526)	(2,109,944)	-	**(340,467,120)**
Net book value	**16,420,902**	**3,555,517**	**35,961,967**	**718,052**	**299,082**	**73,075**	**881,951**	**4,463,474**	**62,374,020**
Movements for the year ended 31 March 2020									
Additions from acquisitions	-	14,556	222,682	-	90,000	-	122,024	5,693,513	**6,142,775**
Depreciation	-	(83,076)	(6,078,355)	(119,366)	(50,546)	(2,879)	(330,574)	-	**(6,664,796)**
Property, plant and equipment at the end of the year	**16,420,902**	**3,486,997**	**30,106,294**	**598,686**	**338,536**	**70,196**	**673,401**	**10,156,987**	**61,851,999**
Closing balance at 31 March 2020									
At cost	16,420,902	114,131,436	255,360,324	1,299,362	7,728,383	772,601	3,113,919	10,156,987	**408,983,914**
Accumulated depreciation	-	(110,644,439)	(225,254,030)	(700,676)	(7,389,847)	(702,405)	(2,440,518)	-	**(347,131,915)**
Net book value	**16,420,902**	**3,486,997**	**30,106,294**	**598,686**	**338,536**	**70,196**	**673,401**	**10,156,987**	**61,851,999**

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Property, plant and equipment continued...

Reconciliation for the year ended 31 March 2019	**Land**	**Leasehold improvements**	**Machinery**	**Motor vehicles**	**Fixtures and fittings**	**Office equipment**	**Computer equipment**	**Construction in progress**	**Total**
Reconciliation for the year ended 31 March 2019									
Balance at 1 April 2018									
At cost	16,420,902	114,101,133	242,997,921	735,239	7,638,383	772,601	2,849,920	1,125,140	**386,641,239**
Accumulated depreciation	-	(110,558,848)	(215,037,445)	(710,375)	(7,291,256)	(696,648)	(1,675,887)	-	**(335,970,459)**
Net book value	**16,420,902**	**3,542,285**	**27,960,476**	**24,864**	**347,127**	**75,953**	**1,174,033**	**1,125,140**	**50,670,780**
Movements for the year ended 31 March 2019									
Additions from acquisitions	-	15,748	12,139,721	746,037	-	-	141,975	3,338,334	**16,381,815**
Depreciation	-	(2,516)	(4,138,230)	(52,849)	(48,045)	(2,878)	(434,057)	-	**(4,678,575)**
Property, plant and equipment at the end of the year	**16,420,902**	**3,555,517**	**35,961,967**	**718,052**	**299,082**	**73,075**	**881,951**	**4,463,474**	**62,374,020**
Closing balance at 31 March 2019									
At cost	16,420,902	114,116,881	255,137,642	1,299,362	7,638,383	772,601	2,991,895	4,463,474	**402,841,140**
Accumulated depreciation	-	(110,561,364)	(219,175,675)	(581,310)	(7,339,301)	(699,526)	(2,109,944)	-	**(340,467,120)**
Net book value	**16,420,902**	**3,555,517**	**35,961,967**	**718,052**	**299,082**	**73,075**	**881,951**	**4,463,474**	**62,374,020**

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

4.2 Additional disclosures

4.3 Other disclosures

Assets under construction comprise:

ERF 2, 15, 16, 18, 19 & 20 Stormill Extension 1, Gauteng, with improvements thereon
ERF 9 &10 Lea Glen Township, Gauteng
ERF 75 Robertville, Gauteng

A register containing the information required by regulation 25(3) of the Companies Act Regulations, 2011 is available for inspection at the registered office of the company

5. Intangible assets

Reconciliation of changes in intangible assets

	Computer software	Copyrights, patents and other industrial property rights	Total
Reconciliation for the year ended 31 March 2020			
Balance at 1 April 2019			
At cost	570,138	1,682,629	**2,252,767**
Accumulated amortisation	(362,395)	(1,494,222)	**(1,856,617)**
Net book value	**207,743**	**188,407**	**396,150**
Movements for the year ended 31 March 2020			
Other acquisitions	211,218	-	**211,218**
Amortisation	(74,287)	-	**(74,287)**
Intangible assets at the end of the year	**344,674**	**188,407**	**533,081**
Closing balance at 31 March 2020			
At cost	781,356	1,682,629	**2,463,985**
Accumulated amortisation	(436,682)	(1,494,222)	**(1,930,904)**
Net book value	**344,674**	**188,407**	**533,081**
Reconciliation for the year ended 31 March 2019			
Balance at 1 April 2018			
At cost	558,495	1,682,629	**2,241,124**
Accumulated amortisation	(331,442)	(1,494,222)	**(1,825,664)**
Net book value	**227,053**	**188,407**	**415,460**
Movements for the year ended 31 March 2019			
Other acquisitions	11,643	-	**11,643**
Amortisation	(30,953)	-	**(30,953)**
Intangible assets at the end of the year	**207,743**	**188,407**	**396,150**
Closing balance at 31 March 2019			
At cost	570,138	1,682,629	**2,252,767**
Accumulated amortisation	(362,395)	(1,494,222)	**(1,856,617)**
Net book value	**207,743**	**188,407**	**396,150**

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

6. Inventories

Inventories comprise:

Raw materials	120,570,008	148,088,779
Work in progress	6,557,327	50,507,019
Finished goods	197,184,727	160,434,583
Merchandise	40,160,684	29,040,565
	364,472,746	**388,070,946**

No inventory was written down to net reliasable value during the current year, 2019 (R Nil).

7. Trade and other receivables

7.1 Trade and other receivables comprise:

Trade receivables	199,380,271	275,276,017
- Private sector	180,589,570	256,485,315
- Public sector	18,713,944	18,713,945
Trade receivables impairment	(28,535,565)	(11,089,905)
Trade receivables - net	170,844,706	264,186,112
Sundry debtors	213,813	222,270
Prepaid expenses	1,239,587	859,123
Employee costs in advance	110,767	112,679
Value added tax	9,740,588	4,358,894
Total trade and other receivables	**182,149,461**	**269,739,078**

7.2 Items included in Trade and other receivables not classified as financial instruments

Prepaid expenses	1,239,587	859,123
Value added tax	9,740,588	4,358,894
Total non-financial instruments included in trade and other receivables	10,980,175	5,218,017
Total trade and other receivables excluding non-financial assets included in trade and other receivables	171,169,286	264,521,061
Total trade and other receivables	**182,149,461**	**269,739,078**

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

Trade and other receivables continued...

7.3 Trade and other receivables past due but not impaired

Current	151,856,537	258,413,277
1 month past due	18,725,791	774,724
2 months past due	8,237,323	(2,645)
3 months past due	8,513,163	17,204
more then 3 months past due	11,970,703	15,996,700

Trade and other receivables which are less then 3 months past due are not considered to be impaired. At 31 March 2020, R20 483 866 (2019: R16 013 904) were past due but not impaired.

Trade and other receivables impaired

At 31 March 2020, trade and other receivables of R28 535 656 (2019: R11 089 905) were impaired as follows:

Balance at 1 April 2019	11,089,905	11,089,905
Impairment losses for the year	17,445,660	-
Balance at 31 March 2020	**28,535,565**	**11,089,905**

8. Deferred tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

During the current year, there had been no provision made for income tax as the entity had no taxable income. The estimated tax loss available for set off against future taxable income is R312 143 727. (2019: R350 998 749).

9. Cash and cash equivalents

Cash and cash equivalents comprise:

Cash on hand	5,095	991
Balances with banks	53,967,467	80,633,368
Net cash and cash equivalents	**53,972,562**	**80,634,359**

10. Issued capital

Authorised and issued share capital

Authorised		
1000 Ordinary shares of R1 each	1,000	1,000
Issued		
300 Ordinary shares of R1 each	(200,000,200)	(200,000,200)
	(200,000,200)	**(200,000,200)**
Preference shares	(500,000,000)	(500,000,000)
	(700,000,200)	**(700,000,200)**

Notes to the Annual Financial Statements

11. Trade and other payables

11.1 Trade and other payables comprise:

Figures in R	Company 2020	Company 2019
Trade creditors	72,474,262	33,927,288
Marketing accrual	63,373,021	79,473,561
Payroll accruals	834,450	937,222
Intercompany payables	131,793,044	330,937,587
Other payables and accruals	1,534,674	1,467,418
Total trade and other payables	**270,009,451**	**446,743,076**

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

11.2 Items included in trade and other payables not classified as financial liabilities

Figures in R	Company 2020	Company 2019
Payroll related accruals	834,450	937,222
Marketing accrual	63,373,021	79,473,561
Total non-financial liabilities included in trade and other payables	64,207,471	80,410,783
Total trade and other payables excluding non-financial liabilities included in trade and other payables	205,801,980	366,332,293
Total trade and other payables	**270,009,451**	**446,743,076**

12. Financial liabilities

13. Finance lease obligations

13.1 Finance lease obligations - lease payment reconciliations

Figures in R	Company 2020	Company 2019
Gross finance lease obligations - minimum lease payments		
Not later than one year	-	11,920
Present value of finance lease obligations net of impairments	**-**	**11,920**

13.2 Additional disclosures

Operating lease payments represents rentals payable by the group and company for certain of its office spaces and equipment. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

14. Retirement benefit assets and obligations

Defined contribution plans

It is the policy of the company to provide retirement benefits to all its full-time employees. Two defined contribution provident funds, exists for this purpose. The fund is funded both by member and by group contributions which are charged to the income statement as they are incurred. The total contribution to the scheme in the current year was R8 948 027 (2019 R 8 466 203) for the group and company.

15. Revenue

Revenue comprises:

Sale of goods	933,649,251	1,007,249,932

16. Cost of sales

Cost of goods sold	**671,763,672**	**750,758,460**

17. Other income

Other income comprises:

Insurance claim received	-	17,603
Distribution income	3,912,595	4,581,408
Forex gain/(loss)	(2,219,064)	(2,475,511)
Total other income	**1,693,531**	**2,123,500**

18. Finance income

Finance income comprises:

Interest income- Bank balances	5,490,002	5,854,886

19. Finance costs

Finance costs included in profit or loss:

Group companies	-	23,872,099

20. Audit fees

Audit fees comprise:

Auditors remuneration	217,814	284,030

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

21. Related parties

21.1 Group companies

Parent company	Sun Pharma (Netherlands) BV
Ultimate parent	Sun Pharmaceutical Industries Limited
Sisiter company	Ranbaxy South Africa (Pty) Ltd
Sisiter company	Sun Pharmaceuticals SA (Pty) Ltd
Fellow Subsidiary	Sonke Pharmaceuticals (Pty) Ltd

21.2 Other related parties

Name	Nature of relationship
DW Brothers	Director
M Kaszas	Director
M Sudan	Director
DMV Sewnarian	Director

21.3 Compensation paid to directors and prescribed officers - 2020

Name	Remuneration	Post retirement benefits	Bonus	Total remuneration
Person A	2,845,768	390,313	519,716	3,755,797
Person D	1,461,927	144,983	80,173	1,687,083
Person F	1,190,518	157,285	168,578	1,516,381
Person J	3,005,870	362,376	496,665	3,864,911
Total compensation paid to directors and prescribed officers	**8,504,083**	**1,054,957**	**1,265,132**	**10,824,172**

Compensation paid to directors and prescribed officers - 2019

Name	Remuneration	Post retirement benefits	Bonus	Total remuneration
Person A	2,708,481	371,492	542,844	3,622,817
Person E	1,391,296	135,558	151,202	1,678,056
Person G	996,277	132,140	143,645	1,272,062
				-
Total compensation paid to directors and prescribed officers	**5,096,054**	**639,190**	**837,691**	**17,397,107**

The above represents remuneration earned for services to both the company and the wider group.

21.4 Related party transactions and balances

	Ranbaxy South Africa (Pty) Ltd	Sonke Pharmaceuticals (Pty) Ltd	Sun Pharmaceuticals SA (Pty) Ltd	Sun Pharma (Netherlands) BV	Sun Pharmaceutical Industries Limited	Total
Year ended 31 March 2020						
Related party transactions						
Purchases of goods	-	-	(13,784,524)	-	(366,216,372)	**(380,000,896)**
Revenue from sale of goods	-	286,604,256	-	-	-	**286,604,256**
Outstanding balances for related party transactions						
Amounts payable	(1,925,518)	(232,863)	(30,934,598)	-	(98,384,515)	**(131,477,494)**
Amounts receivable	-	20,920,878	8,801,301	-	33,352,340	**63,074,519**
Year ended 31 March 2019						
Related party transactions						
Purchases of goods	-	-	9,350,439	-	471,160,901	**480,511,340**
Revenue from sale of goods	-	485,135,447	-	-	-	**485,135,447**
Interest paid	13,625,413	-	-	10,246,575		**23,871,988**
Outstanding balances for related party transactions						
Amounts payable	(8,278,033)	(4,708,126)	(15,082,394)	-	(291,806,309)	**(319,874,862)**
Amounts receivable	-	130,489,691	(1,470,409)	-	33,352,340	**162,371,622**

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

22. Going concern

The directors believe that the company and group has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

23. Financial risk management

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

23.1

Risk	Exposure arising from	
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis
Market risk - security prices	Investments in equity securities	Sensitivity analysis
Credit risk	Cash and cash equivalents, trade receivables, debt investments and contract assets	Aging analysis and credit ratings
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts

23.2 Market risk

23.2.1 Foreign exchange risk

Exposure

The company 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.

31 March 2020	EURO	USD	INR
Uncovered foreign liabilities	-	53,762	-

31 March 2019	EURO	USD	INR
Uncovered foreign liabilities	39,400	36,498	55,500

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

Financial risk management continued...

23.2.2 Cash flow and fair value interest rate risk

Exposure

The company has interest bearing assets in the form of cash balances at year end which bears interest at market bank rates. The company's interest rate risk arises from long- term borrowings, from related party borrowings within the group. These borrowings accrue interest at 8.5%.

The company's income and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents At 31 March 2019, if interest rates had been 0.5% higher/lower, with all other variables held constant, the company's profit after taxation and retained profits would not change (2019: R nil) and the fair value of debt investments at fair value through other comprehensive income.

23.3 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehenThe group and company is exposed to credit risk on financial assets, mainly attributable to cash deposits, cash equivalents and trade and other receivables. The company deposits cash with major banks with high quality credit standing. The company has trade receivables within the group, and trade and other receivables in the private and public sector.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Customers are independently rated, these ratings are used. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

At 31 March 2020, the Company has no concentration of risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

23.3.1 Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Notes to the Annual Financial Statements

Figures in R	Company 2020	Company 2019

Financial risk management continued...

23.4 Liquidity risk

The company is exposed to liquidity risk on financial liabilities. Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. It manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents. Company finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

23.4.1 Maturities of financial liabilities

Contractual maturities of financial liabilities	Between 6 months and 1 year	Total contractual cash flows	Carrying amount
Year ended 31 March 2020			
Non-derivatives			
Trade and other payables excluding non-financial liabilities (Note 11)	269,175,001	**269,175,001**	**269,175,001**
Bank overdraft (Note 9)	433,937,029	**433,937,029**	**433,937,029**
Total non-derivatives	**703,112,030**	**703,112,030**	**703,112,030**
Year ended 31 March 2019			
Non-derivatives			
Trade and other payables excluding non-financial liabilities (Note 11)	445,805,851	**445,805,851**	**445,805,851**
Bank overdraft (Note 9)	408,233,267	**408,233,267**	**408,233,267**
Total non-derivatives	**854,039,118**	**854,039,118**	**854,039,118**

24. Cash flows from operating activities

	Company 2020	Company 2019
Profit for the year	**38,703,163**	**42,984,460**
Adjustments for:		
Finance income	(5,490,002)	(10,543,897)
Finance costs	-	23,872,099
Depreciation and amortisation expense	6,739,083	4,582,255
Impairment losses and reversal of impairment losses recognised in profit or loss	21,595,100	415,461
Other non cash adjustments	(204,242)	3
Change in operating assets and liabilities:		
Adjustments for decrease in inventories	23,598,200	69,958,909
Adjustments for decrease in trade accounts receivable	71,746,306	195,678,700
Adjustments for decrease in other operating payables	(182,485,414)	(665,424,817)
Net cash flows from operations	**(25,797,806)**	**(338,476,827)**