

Ranbaxy Pharmaceuticals Proprietary Limited
(Registration number 1993/003111/07)
Financial statements
for the year ended 31 March 2023

Ranbaxy Pharmaceuticals Proprietary Limited

(Registration number 1993/003111/07)

Financial Statements for the year ended 31 March 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Import, marketing, manufacturing and trade of pharmaceutical goods and services
Directors	Desmond William Brothers Avesh Ajoodha Deepakh Mangal Sewnarain
Registered office	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Business address	14 Lautre Road Stormill Ext 1 Roodepoort Gauteng 1724
Postal address	P O Box 43486 Industria Gauteng 2042
Auditor	Ernst & Young Inc. 102 Rivonia Road Dennehof Sandton 2196
Secretary	SNG Grant Thornton
Company registration number	1993/003111/07
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements were independently compiled by: Melissa McGill CA(SA)
Issued	09 May 2023

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Financial Statements for the year ended 31 March 2023

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 9 to 38, which have been prepared on the going concern basis, were approved by the board of directors on 09 May 2023 and were signed on their behalf by:

A Ajoodha

DW Brothers

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Directors' Report

The directors have pleasure in submitting their report on the financial statements of Ranbaxy Pharmaceuticals Proprietary Limited for the year ended 31 March 2023.

1. Nature of business

Ranbaxy Pharmaceuticals Proprietary Limited is incorporated in South Africa. The principal activity of the company is the Import, marketing, manufacturing and trade of pharmaceutical goods and services. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

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

4. Dividends

No dividends were declared or paid in the current year (2022: Rnil).

5. Directorate

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

Directors	Changes
Desmond William Brothers	
Umesh Kumar Maini	Resigned, 31 December 2022
Avesh Ajoodha	
Deepakh Mangal Sewnarain	

6. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

7. Holding company

The company's holding company is Sun Pharma (Netherlands) BV which holds 100% (2022: 100%) of the company's equity. Sun Pharma (Netherlands) BV is incorporated in the Netherlands.

8. Ultimate holding company

The company's ultimate holding company is Sun Pharmaceutical Industries Limited which is incorporated in India.

9. Events after the reporting period

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

10. Going concern

The 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.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

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Directors' Report

11. Auditors

Ernst & Young Inc. continued in office as auditors for the company for 2023.

12. Secretary

The company secretary is SNG Grant Thornton.

Independent Auditor's Report

To the Shareholder of Ranbaxy Pharmaceuticals Proprietary Limited

Opinion

I have audited the financial statements of Ranbaxy Pharmaceuticals Proprietary Limited (the company) set out on pages 9 to 38, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ranbaxy Pharmaceuticals Proprietary Limited as at 31 March 2023, 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

I conducted my audit in accordance with International Standards on Auditing. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. I have fulfilled my 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Ranbaxy Pharmaceuticals Proprietary Limited financial statements for the year ended 31 March 2023", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and my auditor's report thereon.

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

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 International Standards on Auditing, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

Ernst & Young Inc.
Partner

Registered Auditors

09 May 2023

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Statement of Financial Position as at 31 March 2023

	Notes	2023 R	2022 R
Assets			
Non-Current Assets			
Property, plant and equipment	3	74 969 160	76 358 119
Right-of-use assets	4	1 425 812	1 960 492
Intangible assets	5	2 647 735	449 959
		79 042 707	78 768 570
Current Assets			
Inventories	7	800 889 209	443 475 346
Trade and other receivables	8	360 637 939	295 488 473
Current tax receivable		1 523 686	-
Cash and cash equivalents	9	113 164 532	190 592 873
		1 276 215 366	929 556 692
Total Assets		1 355 258 073	1 008 325 262
Equity and Liabilities			
Equity			
Share capital	10	700 000 200	700 000 200
Accumulated loss		(157 201 612)	(219 919 260)
		542 798 588	480 080 940
Liabilities			
Non-Current Liabilities			
Lease liabilities	4	1 103 488	1 655 936
Current Liabilities			
Trade and other payables	11	810 803 548	526 109 764
Lease liabilities	4	552 449	478 622
		811 355 997	526 588 386
Total Liabilities		812 459 485	528 244 322
Total Equity and Liabilities		1 355 258 073	1 008 325 262

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Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 R	2022 R
Revenue	12	1 746 397 839	1 399 830 554
Cost of sales	13	(1 335 312 566)	(1 079 017 648)
Gross profit		411 085 273	320 812 906
Other operating income	14	9 882 367	10 692 905
Other operating gains (losses)	15	(5 643 804)	(752 430)
Other operating expenses		(357 003 069)	(278 632 540)
Operating profit	16	58 320 767	52 120 841
Investment income	18	11 587 227	2 248 391
Finance costs	19	(4 141 084)	(385 941)
Profit before taxation		65 766 910	53 983 291
Taxation	20	(3 049 262)	-
Total comprehensive income for the year		62 717 648	53 983 291

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Statement of Changes in Equity

	Share capital	Redeemable preference shares	Total share capital	Accumulated loss	Total equity
	R	R	R	R	R
Balance at 01 April 2021	200 000 200	500 000 000	700 000 200	(273 902 551)	426 097 649
Total comprehensive income for the year	-	-	-	53 983 291	53 983 291
Balance at 01 April 2022	200 000 200	500 000 000	700 000 200	(219 919 260)	480 080 940
Total comprehensive income for the year	-	-	-	62 717 648	62 717 648
Balance at 31 March 2023	200 000 200	500 000 000	700 000 200	(157 201 612)	542 798 588
Note	10	10	10		

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Statement of Cash Flows

	Note(s)	2023 R	2022 R
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(65 853 431)	100 425 017
Interest income	18	11 587 227	2 248 391
Finance costs	19	(4 141 084)	(385 941)
Tax paid	22	(4 572 948)	-
Net cash from operating activities		(62 980 236)	102 287 467
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(14 062 290)	(9 908 213)
Proceeds from sale of property, plant and equipment	3	275 465	-
Purchases of intangible assets	5	(182 659)	(41 397)
Net cash from investing activities		(13 969 484)	(9 949 610)
Cash flows from financing activities			
Cash repayments on lease liabilities	4	(478 621)	(412 150)
Total cash movement for the year		(77 428 341)	91 925 707
Cash and cash equivalents at the beginning of the year		190 592 873	98 667 166
Cash and cash equivalents at the end of the year	9	113 164 532	190 592 873

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Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key sources of estimation uncertainty

Impairment of financial assets

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

Allowance for slow moving, damaged and obsolete inventory

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

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

At the end of the reporting period, the company estimated the expected credit loss as per the following methodology:

- Obtain a historical loss % based on the prior period bad debts written off;
- Obtain a forward looking % (based on probability of default % multiplied the average loss given default %) at which debts are expected to default based on the sector the customer belongs to;
- Determine the age bracket at which point a customer is expected to be at risk of default;
- Add the historical loss % and forward looking % and multiply this by the age bracket from where debt is deemed to be a credit risk, in order to obtain the expected credit loss.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment

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

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

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

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Intangible assets

An intangible asset is recognised when:

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Accounting Policies

1.4 Intangible assets (continued)

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

Intangible assets are initially recognised at cost.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

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

Item	Depreciation method	Average useful life
Computer software	Straight line	2 years
Copyrights, patents and other industrial property rights, service and operating rights		Indefinite

1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

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

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost; or

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Accounting Policies

1.5 Financial instruments (continued)

- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 25 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

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

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

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Accounting Policies

1.5 Financial instruments (continued)

Impairment

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

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

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

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

Significant increase in credit risk

In assessing whether the credit risk on a receivable or group of receivables has increased significantly since initial recognition, the company compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a receivable is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a receivable is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the company consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the company considers that default has occurred when a receivable is more than 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of expected credit losses

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 16).

Write off policy

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

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Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables

Classification

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

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 19).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 25 for details of risk exposure and management thereof.

Cash and cash equivalents

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

Bank overdrafts

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

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

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Accounting Policies

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused 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.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 16) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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Accounting Policies

1.7 Leases (continued)

Details of leasing arrangements where the company is a lessee are presented in note 4 Leases (company as lessee).

Lease liability

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 4).

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

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

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

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

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

Right-of-use assets

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

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

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

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

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

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

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

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Accounting Policies

1.7 Leases (continued)

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

1.8 Inventories

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

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

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

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

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

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

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.9 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

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

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

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

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

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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

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

1.10 Share capital and equity

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

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

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Accounting Policies

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

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

Defined contribution plans

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

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

1.12 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation 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 obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised.

1.13 Revenue from contracts with customers

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 allocated 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 service to the customer.

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

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standards (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 these costs meet all 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 contracts 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.

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Accounting Policies

1.13 Revenue from contracts with customers (continued)

Sale of goods

Revenue from the sale of goods 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 to 90 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).

1.14 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Cost of sales is reduced by the amount recognised in inventory as a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy.

1.15 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

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Notes to the Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	The impact of the amendments is not material.
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	The impact of the amendments is not material.
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	The impact of the amendments is not material.
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	The impact of the amendments is not material.
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2023 or later periods:

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

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Notes to the Financial Statements

3. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	16 976 500	-	16 976 500	16 976 500	-	16 976 500
Machinery	283 962 667	(246 543 734)	37 418 933	279 178 527	(239 508 121)	39 670 406
Fixtures and fittings	7 791 621	(7 567 723)	223 898	7 791 621	(7 533 729)	257 892
Motor vehicles	786 862	(696 607)	90 255	1 299 362	(939 408)	359 954
Office equipment	803 293	(721 604)	81 689	803 293	(716 015)	87 278
Computer equipment	4 295 307	(3 721 874)	573 433	3 924 333	(3 296 717)	627 616
Leasehold improvements	127 777 330	(111 686 811)	16 090 519	127 144 303	(111 255 477)	15 888 826
Capital - Work in progress	-	3 513 933	3 513 933	(6 739 278)	9 228 925	2 489 647
Total	442 393 580	(367 424 420)	74 969 160	430 378 661	(354 020 542)	76 358 119

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	16 976 500	-	-	-	-	16 976 500
Machinery	39 670 406	4 784 141	-	-	(7 035 614)	37 418 933
Fixtures and fittings	257 892	-	-	-	(33 994)	223 898
Motor vehicles	359 954	-	(157 166)	-	(112 533)	90 255
Office equipment	87 278	-	-	-	(5 589)	81 689
Computer equipment	627 616	383 104	(1)	-	(437 286)	573 433
Leasehold improvements	15 888 826	633 026	-	-	(431 333)	16 090 519
Capital - Work in progress	2 489 647	8 262 019	-	(7 237 733)	-	3 513 933
	76 358 119	14 062 290	(157 167)	(7 237 733)	(8 056 349)	74 969 160

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Transfers	Depreciation	Total
Land	16 976 500	-	-	-	16 976 500
Machinery	31 586 586	617 259	15 181 593	(7 715 032)	39 670 406
Fixtures and fittings	331 478	-	-	(73 586)	257 892
Motor vehicles	479 320	-	-	(119 366)	359 954
Office equipment	94 084	1 043	-	(7 849)	87 278
Computer equipment	772 412	313 950	-	(458 746)	627 616
Leasehold improvements	13 748 268	2 563 881	-	(423 323)	15 888 826
Capital - Work in progress	11 259 160	6 412 080	(15 181 593)	-	2 489 647
	75 247 808	9 908 213	-	(8 797 902)	76 358 119

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Notes to the Financial Statements

4. Leases (company as lessee)

The company has the option to purchase the plant at a nominal amount on completion of the lease term.

Additional text

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

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	2 673 399	(1 247 587)	1 425 812	2 673 398	(712 906)	1 960 492

Reconciliation of right-of-use assets - 2023

	Opening balance	Depreciation	Total
Buildings	1 960 492	(534 680)	1 425 812
	1 960 492	(534 680)	1 425 812

Reconciliation of right-of-use assets - 2022

	Opening balance	Depreciation	Total
Buildings	2 495 172	(534 680)	1 960 492
	2 495 172	(534 680)	1 960 492

Other disclosures

Leases of low value assets included in operating expenses	1 102 523	1 127 791
Total cash outflow from leases	(646 587)	(618 744)

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	552 449	478 622
Two to five years	1 103 488	1 655 936
	1 655 937	2 134 558

Minimum lease payments due:

Within one year	675 684	646 588
Two to five years	1 190 729	1 866 413
	1 866 413	2 513 001

Non-current liabilities	1 103 488	1 655 936
Current liabilities	552 449	478 622
	1 655 937	2 134 558

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5. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Copyrights, patents and other industrial property rights	2 329 351	-	2 329 351	188 408	-	188 408
Computer software	1 005 412	(687 028)	318 384	822 753	(561 202)	261 551
Total	3 334 763	(687 028)	2 647 735	1 011 161	(561 202)	449 959

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Transfers	Amortisation	Total
Copyrights, patents and other industrial property rights	188 408	-	2 140 943	-	2 329 351
Computer software	261 551	182 659	-	(125 826)	318 384
	449 959	182 659	2 140 943	(125 826)	2 647 735

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Copyrights, patents and other industrial property rights	188 408	-	-	188 408
Computer software	270 386	41 397	(50 232)	261 551
	458 794	41 397	(50 232)	449 959

6. Deferred tax

The estimated tax loss available for set off against future taxable income is R200 236 761 (2022: R245 411 012).

7. Inventories

Raw materials	183 536 666	177 246 913
Work in progress	28 826 048	11 419 807
Finished goods	461 379 714	219 564 129
Merchandise	127 146 781	35 244 497
	800 889 209	443 475 346

Inventories of R13 333 253 were written down to net realisable value during the current year (2022: R65 310 457).

8. Trade and other receivables

Financial instruments:

Trade receivables	344 886 252	304 257 764
Loss allowance	(3 873 755)	(13 945 488)
Trade receivables at amortised cost	341 012 497	290 312 276
Sundry debtors	131 170	131 170

Non-financial instruments:

Value added tax	18 636 198	2 932 372
Employee costs in advance	-	396 050
Prepayments	858 074	1 716 605

Total trade and other receivables

360 637 939 **295 488 473**

Split between non-current and current portions

Current assets	360 637 939	295 488 473
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8. Trade and other receivables (continued)

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

At amortised cost	341 143 667	290 443 446
Non-financial instruments	19 494 272	5 045 027
	360 637 939	295 488 473

Exposure to credit risk

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

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

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

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

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

	2023	2023	2022	2022
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Not past due	275 812 753	-	227 447 550	-
31 - 60 days past due	22 215 848	-	35 670 959	-
61 - 90 days past due	8 240 667	-	10 120 569	-
91 - 120 days past due	5 435 862	-	5 750 023	-
More than 120 days past due	18 190 124	3 873 755	25 268 663	13 945 488
Total	329 895 254	3 873 755	304 257 764	13 945 488

Reconciliation of loss allowances

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

Opening balance	(13 945 488)	(22 206 790)
Amounts recovered	10 071 733	8 261 302
Closing balance	(3 873 755)	(13 945 488)

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	2023 R	2022 R
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7 237	657
Bank balances	113 157 295	190 592 216
	113 164 532	190 592 873
10. Share capital		
Authorised		
1 000 Ordinary shares of R1 each	1 000	1 000
Issued		
Ordinary	200 000 200	200 000 200
Redeemable preference shares	500 000 000	500 000 000
	700 000 200	700 000 200
11. Trade and other payables		
Financial instruments:		
Trade payables	20 980 754	66 172 200
Trade payables - related parties	720 920 898	398 198 329
Other payables and accruals	1 689 464	1 489 780
Non-financial instruments:		
Payroll accruals	1 074 828	(58 248)
Marketing accruals	66 137 604	60 307 703
	810 803 548	526 109 764
Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. No interest is charged on trade payables. The company and the group have risk management policies in place to ensure that all payables are paid within the agreed credit terms. The carrying amount of financial liabilities approximates its fair values.		
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	743 591 116	465 860 309
Non-financial instruments	67 212 432	60 249 455
	810 803 548	526 109 764
12. Revenue		
Revenue from contracts with customers		
Sale of goods	1 746 397 839	1 399 830 554
Disaggregation of revenue from contracts with customers		
The company disaggregates revenue from customers as follows:		
Sale of goods		
Sale of goods	1 746 397 839	1 399 830 554
Timing of revenue recognition		
At a point in time		
Sale of goods	1 746 397 839	1 399 830 554

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	2023 R	2022 R
13. Cost of sales		
Sale of goods	1 335 312 566	1 079 017 648
14. Other operating income		
Insurance claim received	-	10 843
Other income	9 882 367	10 682 062
	9 882 367	10 692 905
15. Other operating gains (losses)		
Gains (losses) on disposals, scrappings and settlements		
Property, plant and equipment	3 118 298	-
Foreign exchange gains (losses)		
Net foreign exchange loss	(5 762 102)	(752 430)
Total other operating gains (losses)	(5 643 804)	(752 430)
16. Operating profit (loss)		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration	1 277 646	955 808
Remuneration, other than to employees		
Consulting and professional services	2 237 821	2 501 697
Employee costs		
Salaries, wages, bonuses and other benefits	191 936 968	144 561 856
Short-term benefit	8 530 502	5 973 153
Retirement benefit plans: defined contribution expense	6 230 099	5 817 082
Total employee costs	206 697 569	156 352 091
Leases		
Leases of low value assets	1 102 523	1 127 791
Total lease expenses	1 102 523	1 127 791
Depreciation and amortisation		
Depreciation of property, plant and equipment	8 056 349	8 396 890
Depreciation of right-of-use assets	534 680	534 680
Amortisation of intangible assets	125 826	451 243
Total depreciation and amortisation	8 716 855	9 382 813
Expenses by nature		

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

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	2023 R	2022 R
16. Operating profit (loss) (continued)		
Changes in inventories of finished goods and work in progress	1 335 312 566	1 079 017 648
Employee costs	206 697 569	156 352 091
Lease expenses	1 102 523	1 127 791
Depreciation, amortisation and impairment	8 716 855	9 382 813
Other expenses	140 486 122	111 769 845
	1 692 315 635	1 357 650 188
17. Retirement benefits		
Defined Contribution Plan		
<p>It is the policy of the company to provide retirement benefits to all its full-time employees. One defined contribution pension fund, which are subject to the Pension Fund Act exists for this purpose. The scheme is funded both by member and by the company contributions which are charged to the income statement at they are incurred. The total contribution to the scheme in the current year was R6 230 099 (2022: R5 817 082) for the company.</p>		
18. Investment income		
Interest income		
Investments in financial assets:		
Bank and other cash	11 587 227	2 248 391
19. Finance costs		
Other interest paid	4 141 084	385 941
20. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	3 049 262	-
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28,00 %	28,00 %
Other	(23,00)%	(28,00)%
	5,00 %	- %

The estimated tax loss available for set off against future taxable income is R 200 236 760 (2022: R 245 411 012). For years of assessment ending on or after 31 March 2023, there will be a limit on a company's brought forward assessed loss that will be available for set off against taxable income. The assessed loss available for set off against taxable income is limited to the higher of either: 80% of the taxable income for the year before considering the assessed loss brought forward, or R 1 million. This resulted in the company providing for taxation on 20% of its taxable income. The amendment was enacted in terms of the Taxation Laws Amendment Act of 2021 effective 1 April 2022.

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	2023 R	2022 R
21. Cash (used in)/generated from operations		
Profit before taxation	65 766 910	53 983 291
Adjustments for non-cash items:		
Depreciation, amortisation, impairments and reversals of impairments	8 716 855	9 382 813
Gains on sale of assets and liabilities	(118 298)	-
Non-cash movement in property, plant and equipment	5 096 787	-
Adjust for items which are presented separately:		
Interest income	(11 587 227)	(2 248 391)
Finance costs	4 141 084	385 941
Changes in working capital:		
(Increase) decrease in inventories	(357 413 863)	95 944 338
(Increase) decrease in trade and other receivables	(65 149 466)	103 020 934
Increase (decrease) in trade and other payables	284 693 787	(160 043 909)
	(65 853 431)	100 425 017
22. Tax paid		
Balance at beginning of the year	-	-
Current tax recognised in profit or loss	(3 049 262)	-
Balance at end of the year	(1 523 686)	-
	(4 572 948)	-

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	2023 R	2022 R
23. Related parties		
Relationships		
Ultimate holding company		Sun Pharmaceutical Industries Limited
Holding company		Sun Pharma (Netherlands) BV
Fellow subsidiaries		Sonke Pharmaceuticals Proprietary Limited
Sister company		Ranbaxy (South Africa) Proprietary Limited
		Sun Pharmaceuticals SA Proprietary Limited
Members of key management		Desmond William Brothers (Director)
		Avesh Ajoodha (Director)
		Deepakh Mangal Sewnarain (Director)
Related party balances		
Amounts included in trade receivables regarding related parties		
Sonke Pharmaceuticals Proprietary Limited	160 714 225	55 532 655
Sun Pharmaceuticals SA Proprietary Limited	-	49 956 511
Sun Pharmaceutical Industries Limited	33 352 340	33 352 340
Ranbaxy (South Africa) Proprietary Limited	920 338	384 794
	194 986 903	139 226 300
Amounts included in trade payables regarding related parties		
Ranbaxy (South Africa) Proprietary Limited	(49 738 117)	(37 466 418)
Sonke Pharmaceuticals Proprietary Limited	(5 331 883)	(45 240 968)
Sun Pharmaceuticals SA Proprietary Limited	-	(49 712 522)
Sun Pharmaceutical Industries Limited	(665 850 898)	(296 258 822)
	(720 920 898)	(428 678 730)
Related party transactions		
Sales to related parties		
Sonke Pharmaceuticals Proprietary Limited	459 264 850	304 568 158
Purchases from related parties		
Sun Pharmaceuticals SA Proprietary Limited	-	(2 545 487)
Sun Pharmaceutical Industries Limited	(1 339 253 726)	(697 441 441)
Sun Pharmaceuticals Industries (Australia) Pty Ltd	(2 207 212)	(1 261 874)
Ranbaxy (South Africa) Proprietary Limited	(31 640)	(13 436 004)
	(1 341 492 578)	(714 684 806)
Royalties received from related parties		
Sonke Pharmaceuticals Proprietary Limited	9 001 083	12 070 088
Management fee cross charges between related parties		
Ranbaxy (South Africa) Proprietary Limited	83 610 906	54 952 905

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	2023			2022
	R			R
24. Directors' emoluments				
Executive				
2023				
Directors' emoluments	Basic salary	Bonuses and performance related payments	Pensions receivable or received	Total
Services as director or prescribed officer				
Person A	3 653 924	751 048	492 797	4 897 769
Person D	1 887 949	97 014	184 164	2 169 127
Director F	1 765 470	263 658	237 822	2 266 950
Director J	4 276 995	678 713	335 858	5 291 566
	11 584 338	1 790 433	1 250 641	14 625 412
2022				
Directors' emoluments	Basic salary	Bonuses and performance related payments	Pensions receivable or received	Total
Services as director or prescribed officer				
Person A	3 199 416	691 843	430 340	4 321 599
Person D	1 603 441	260 744	160 995	2 025 180
Director F	1 491 163	246 376	195 307	1 932 846
Director J	4 187 857	636 880	388 672	5 213 409
	10 481 877	1 835 843	1 175 314	13 493 034

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Notes to the Financial Statements

	2023 R	2022 R
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25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Amortised cost	Total
Trade and other receivables	8	341 143 667	341 143 667
Cash and cash equivalents	9	113 164 532	113 164 532
		454 308 199	454 308 199

2022

	Note(s)	Amortised cost	Total
Trade and other receivables	8	290 443 446	290 443 446
Cash and cash equivalents	9	190 592 873	190 592 873
		481 036 319	481 036 319

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	11	743 591 116	-	743 591 116
Lease liabilities	4	-	1 655 937	1 655 937
		743 591 116	1 655 937	745 247 053

2022

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	11	465 860 309	-	465 860 309
Lease liabilities	4	-	2 134 558	2 134 558
		465 860 309	2 134 558	467 994 867

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

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

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2023	2022
R	R

25. Financial instruments and risk management (continued)

Financial risk management

Overview

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

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

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

Credit risk

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

Credit risk is managed on a group basis. For banks and financial institutions, only independent 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. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Management does not expect any significant losses from non-performance by these counterparties.

The company has borrowings that accrues interest to related parties within the group.

Provision for doubtful debt policy:

- Provide for all debt outstanding for 1 year or more
- Provide for all state related penalties and claims;
- Provide for all invoices for which no supporting documentation is not available
- Provide on specific debt, i.e. companies in business rescue or busy with liquidation and any debtor for which recovery is unlikely.

The policy is supported by a forward looking view on the recoverability of debtors, taking into account historical trends where we have had no write-off of state debt. Also owing to government debt being tender related, that is contract 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 recoverability of outstanding debt as per the expired contracts, and this is provided for over and above the conditions noted above. Based on historical events, 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,

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

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	2023 R	2022 R
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25. Financial instruments and risk management (continued)

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	8	364 511 694	(3 873 755)	360 637 939	309 433 961	(13 945 488)	295 488 473
Cash and cash equivalents	9	113 164 532	-	113 164 532	190 592 873	-	190 592 873
		477 676 226	(3 873 755)	473 802 471	500 026 834	(13 945 488)	486 081 346

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

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

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

2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	1 103 488	1 103 488	1 103 488
Current liabilities					
Trade and other payables	11	743 591 116	-	743 591 116	743 591 116
Lease liabilities	4	552 449	-	552 449	552 449
		448 246 105	1 103 488	745 247 053	745 247 053

2022

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	1 866 413	1 866 413	1 655 936
Current liabilities					
Trade and other payables	11	465 860 308	-	465 860 308	465 860 308
Lease liabilities	4	646 587	-	646 587	478 622
		605 913 067	1 866 413	468 373 308	467 994 866

Foreign currency risk

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

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	2023	2022
	R	R
25. Financial instruments and risk management (continued)		
In respect of purchases and payables, the company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.		
In respect of sales and receivables, the company sets a prudent credit limit to individual customers who transact with it in other foreign currencies. The director's approval is required on the exposure to an individual customer or transaction that exceeds the limit.		
There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.		
Exposure in Rand		
The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:		
Exposure:		
Current liabilities:		
Trade and other payables BWP (2022: BWP 32 360)	11	-
Trade and other payables USD 1 932 (2022: USD 243 746)		41 270
		<u>(34 390)</u>
		<u>(3 543 763)</u>
Net exposure		<u>(34 390)</u>
		<u>(3 502 493)</u>
Exchange rates		
Foreign currency per Rand		
BWP		-
USD	17,800	1,275

26. Going concern

The 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.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors is satisfied is that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors is not aware of any new material changes that may adversely impact the company. The directors is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

27. Events after the reporting period

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