Sonke Pharmaceuticals Proprietary Limited
(Registration number 2005/011027/07)
Financial statements
for the year ended 31 March 2024

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Import, marketing, manufacture and trade of pharmaceutical goods
Directors	DW Brothers MJ Madungandaba DM Sewnarain A Ajoodha NN Sonqushu
Registered office	Ground Floor, Tugela House, Riverside Office Park 1303 Heuwel Avenue Centurion Gauteng 0046
Postal address	PO Box 10458 Centurion Gauteng 0046
Holding company	Ranbaxy South Africa Proprietary Limited incorporated in South Africa
Ultimate holding company	Sun Pharmaceuticals Industries Limited incorporated in India
Auditor	Ernst & Young Inc.
Secretary	SNG Grant Thornton
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements were independently compiled by: Melissa McGill CA(SA)
Issued	21 May 2024

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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 2025 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 31, which have been prepared on the going concern basis, were approved by the board of directors on 21 May 2024 and were signed on their behalf by:

A Ajoodha **DW Brothers**

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Sonke Pharmaceuticals Proprietary Limited for the year ended 31 March 2024.

1. Nature of business

Sonke Pharmaceuticals Proprietary Limited is incorporated in South Africa. The principal activity of the company is import, marketing, manufacture and trade of pharmaceutical goods. The company operates in South Africa. There were no major changes herein during the 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, except for the adoption of new or revised accounting standards as set out in note 3.

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

A dividend of R 5 336 033 (2023: RNil) was declared and paid during the current year.

5. Directorate

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

Directors	Changes
DW Brothers	
MJ Madungandaba	
DM Sewnarain	
A Ajoodha	
NN Sonqushu	Appointed, 26 June 2023

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 companies are Ranbaxy South Africa Proprietary Limited which holds 70% (2023: 70%) of the company's equity and Community Investment Holdings Proprietary Limited which holds 30% (2023: 30%) of the company's equity. Ranbaxy South Africa Proprietary Limited and Community Investment Holdings Proprietary Limited is incorporated in South Africa.

8. Ultimate holding company

The company's ultimate holding company is Sun Pharmaceuticals 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

Directors' Report

10. Going concern (continued)

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.

11. Auditors

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

12. Secretary

The company secretary is SNG Grant Thornton.

Independent Auditor's Report

To the Shareholders of Sonke Pharmaceuticals Proprietary Limited

Opinion

I have audited the financial statements of Sonke Pharmaceuticals Proprietary Limited (the company) set out on pages 9 to 31, which comprise the statement of financial position as at 31 March 2024, 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 material accounting policy information.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Sonke Pharmaceuticals Proprietary Limited as at 31 March 2024, 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 "Sonke Pharmaceuticals Proprietary Limited financial statements for the year ended 31 March 2024", 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.

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.

Independent Auditor's Report

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Ernst & Young Inc.
Suren Naidoo
Partner

17 May 2024

Statement of Financial Position as at 31 March 2024

	Notes	2024 R	2023 R
Assets			
Non-Current Assets			
Property, plant and equipment	4	98	98
Deferred tax	5	3 117 492	4 530 860
		3 117 590	**4 530 958**
Current Assets			
Inventories	6	66 929 989	101 749 393
Trade and other receivables	7	181 880 977	80 649 437
Current tax receivable		-	1 905 273
Cash and cash equivalents	8	44 462 504	176 098 504
		293 273 470	**360 402 607**
Total Assets		**296 391 060**	**364 933 565**
Equity and Liabilities			
Equity			
Share capital	9	2 000 500	2 000 500
Retained income		194 520 318	179 116 109
		196 520 818	**181 116 609**
Liabilities			
Current Liabilities			
Trade and other payables	10	97 497 539	183 816 956
Current tax payable		2 372 703	-
		99 870 242	**183 816 956**
Total Equity and Liabilities		**296 391 060**	**364 933 565**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	2024 R	2023 R
Revenue	11	531 620 247	491 802 243
Cost of sales	12	(476 466 186)	(453 930 314)
Gross profit		**55 154 061**	**37 871 929**
Other operating gains (losses)	13	-	(24)
Other operating expenses		(30 828 739)	(21 740 276)
Operating profit	14	**24 325 322**	**16 131 629**
Investment income	16	5 777 298	7 065 078
Finance costs	17	-	(516)
Profit before taxation		**30 102 620**	**23 196 191**
Taxation	18	(9 362 379)	(5 409 414)
Total comprehensive income for the year		**20 740 241**	**17 786 777**

Statement of Changes in Equity

	Share capital R	Retained income R	Total equity R
Balance at 01 April 2022	**2 000 500**	**161 329 332**	**163 329 832**
Total comprehensive income for the year	**-**	**17 786 777**	**17 786 777**
Balance at 01 April 2023	**2 000 500**	**179 116 110**	**181 116 610**
Total comprehensive income for the year	**-**	**20 740 241**	**20 740 241**
Dividends	-	(5 336 033)	(5 336 033)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**(5 336 033)**	**(5 336 033)**
Balance at 31 March 2024	**2 000 500**	**194 520 318**	**196 520 818**
Note	9		

Statement of Cash Flows

	Note(s)	2024 R	2023 R
Cash flows from operating activities			
Cash (used in)/generated from operations	19	(128 406 230)	116 159 408
Interest income	16	5 777 298	7 065 078
Finance costs	17	-	(516)
Tax paid	20	(3 671 035)	(2 083 149)
Net cash from operating activities		**(126 299 967)**	**121 140 821**
Cash flows from financing activities			
Dividends paid	21	(5 336 033)	-
Total cash movement for the year		**(131 636 000)**	**121 140 821**
Cash and cash equivalents at the beginning of the year		176 098 504	54 957 683
Cash and cash equivalents at the end of the year	8	**44 462 504**	**176 098 504**

Accounting Policies

1. Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these financial statements.

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.

The 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 material 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, except for the changes set out in note 3.

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

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.

1.3 Property, plant and equipment

Property, plant and equipment is initially measured at cost.

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 impairment losses except for land which is not depreciated.

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	3 years
Furniture and fixtures	Straight line	3 years
Motor vehicles	Straight line	4 - 7 years
IT equipment	Straight line	3 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting . No material changes were made.

There were no indicators of impairment for property, plant and equipment and no impairment tests were performed.

1.4 Intangible assets

Intangible assets are initially recognised at cost.

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

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 equipment	Straight line	2 years
Copyrights, patents and other industrial rights, service and operating rights	Straight line	5 years

Accounting Policies

1.4 Intangible assets (continued)

The useful life and amortisation method of intangible assets are reviewed at the end of each reporting . No material changes were made.

There were no indicators of impairment for intangible assets and no impairment tests were performed.

1.5 Financial instruments

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

All regular way purchases or sales of financial assets are recognised and de-recognised on a trade date basis.

The material accounting policies for each type of financial instrument held by the company are presented below:

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are measured, subsequent to initial recognition, 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.

The accounting policy for impairment of trade and other receivables is set out in the loss allowances and write-offs accounting policy.

Impairment - Expected credit losses and write-offs

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 measurement of expected credit losses incorporates the probability of default, loss given default and the exposure at default, taking the time value of money, historical data and forward-looking information into consideration.

The movement in credit loss allowance is recognised in profit or loss with a corresponding adjustment to the carrying amount of the instrument through a loss allowance account.

The company writes off an instrument 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. Instruments written off may still be subject to enforcement activities under the company's recovery procedures. Any recoveries made are recognised in profit or loss.

Trade and other payables

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

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.

Accounting Policies

1.5 Financial instruments (continued)

De-recognition

The company de-recognises 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.

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences.

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 recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised.

When management assess the extent to which is it probable that taxable profit will be available against which potential deferred tax assets can be utilised, they take into consideration that the utilisation of assessed losses are limited to the greater of 80% of the taxable income or R1 million in the year of assessment.

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

The deferred tax rate applied to assets is determined by the expected manner of recovery. Where the expected recovery of the asset is through sale, the capital gains tax rate is applied. The normal tax rate is applied when the expected recovery is through use. A combination of these rates is applied if the recovery is expected to be partly through use and sale.

Deferred tax assets are reviewed at each reporting date and are reduced if it is no longer probable that the related tax benefit will be realised. Such reductions are reversed when the probability of future taxable profits improves. The review by management has not resulted in the reduction of the deferred tax assets.

Tax expenses

The income tax expense consists of current and deferred tax and is recognised in profit or loss.

1.7 Leases

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

Accounting Policies

1.7 Leases (continued)

No contracts were identified that required specific judgement as to whether they contained leases.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average basis.

Write downs and reversals of write downs of inventories are included as part of the cost of goods sold.

1.9 Impairment of assets

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount cannot be determined for an individual asset, then it is determined for the cash generating unit to which the asset belongs.

Impairment losses are recognised immediately in profit or loss.

1.10 Share capital and equity

Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits, which consist of paid annual leave and sick leave, bonuses, and 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.

Defined contribution plans

Payments are charged as an expense as they fall due.

1.12 Provisions and contingencies

The company recognises provisions in circumstances where it has a present obligation resulting from past events, which can be measured reliably and for which it is probable that the company will be required to settle the obligation.

There is always a degree of estimation uncertainty involved with provisions as they are measured at management's best estimate of the amount which will be required to settle the obligation. When the effect of discounting is material, the provision is measured at the present value of such amounts.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in .

1.13 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

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).

Accounting Policies

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.

1.15 Borrowing costs

All 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.

Foreign currency monetary items are translated at the end of the reporting period using the closing rate.

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.

Refer to the individual accounting policies for financial instruments for the detailed foreign exchange accounting policies.

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:
• International tax reform - Pillar two model rules - amendments to IAS 12	01 January 2023	The impact of the amendment is not material.
• Initial application of IFRS 17 and IFRS 9 - Comparative information	01 January 2023	The impact of the amendment is not material.
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	The impact of the amendment is not material.
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023	The impact of the amendment is not material.
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	The impact of the amendment is not material.
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	The impact of the amendment is not material.
• IFRS 17 Insurance Contracts	01 January 2023	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 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lack of exchangeability - amendments to IAS 21	01 January 2025	Unlikely there will be a material impact
• Supplier finance arrangements - amendments to IAS 7 and IFRS 7	01 January 2024	Unlikely there will be a material impact
• Non-current liabilities with covenants - amendments to IAS 1	01 January 2024	Unlikely there will be a material impact
• Lease liability in a sale and leaseback	01 January 2024	Unlikely there will be a material impact

3. Changes in accounting policy

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

Disclosure of accounting policies: Amendments to IAS 1 and Practice Statement 2

The company adopted the amendments to IAS 1 and Practice Statement 2, which now require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment did not result in changes to measurement or recognition of financial statement items, but management reviewed the accounting policies and made changes to ensure that only material accounting policy information is disclosed.

Notes to the Financial Statements

4. Property, plant and equipment

	2024			2023		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Plant and machinery	34 292 930	(34 292 850)	80	34 292 930	(34 292 850)	80
Furniture and fixtures	66 095	(66 077)	18	66 095	(66 077)	18
Total	**34 359 025**	**(34 358 927)**	**98**	**34 359 025**	**(34 358 927)**	**98**

Reconciliation of property, plant and equipment - 2024

	Opening balance	**Total**
Plant and machinery	80	80
Furniture and fixtures	18	18
	98	**98**

Reconciliation of property, plant and equipment - 2023

	Opening balance	**Disposals**	**Total**
Plant and machinery	80	-	80
Furniture and fixtures	23	(5)	18
IT equipment	19	(19)	-
	122	**(24)**	**98**

5. Deferred tax

	2024 R	2023 R
Deferred tax asset		
Deferred tax asset	3 117 492	4 530 860
Deferred tax asset	3 117 492	4 530 860

Reconciliation of deferred tax asset / (liability)

At beginning of year	4 530 860	5 355 448
Movement in fixed assets	(832 435)	116 223
Movement in leave pay provision	15 264	1 255
Movement in bonus provision	(1 015)	145 964
Movement in provision for doubtful debt	(273 029)	(1 086 995)
Prior year adjustments	(322 153)	-
Rate adjustment	-	(1 035)
	3 117 492	**4 530 860**

Notes to the Financial Statements

	2024 R	2023 R

6. Inventories

Finished goods	67 982 741	33 098 262
Goods in transit	-	70 644 074
	67 982 741	103 742 336
Inventories (write-downs)	(1 052 752)	(1 992 943)
	66 929 989	**101 749 393**

7. Trade and other receivables

Financial instruments:		
Trade receivables	175 050 388	84 363 015
Trade receivables - related parties	17 126 194	5 426 459
Provision for credit notes	(1 403 850)	-
Loss allowance	(9 426 507)	(9 147 537)
Trade receivables at amortised cost	181 346 225	80 641 937
Non-financial instruments:		
VAT	511 752	-
Employee costs in advance	23 000	7 500
Total trade and other receivables	**181 880 977**	**80 649 437**

Split between non-current and current portions

Current assets	181 880 977	80 649 437

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

At amortised cost	181 346 225	80 641 937
Non-financial instruments	534 752	7 500
	181 880 977	**80 649 437**

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.

Notes to the Financial Statements

	2024 R	2023 R

7. Trade and other receivables (continued)

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:

	2024	2024	2023	2023
Expected credit loss rate:	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**	**Estimated gross carrying amount at default**	**Loss allowance (Lifetime expected credit loss)**
Not past due	131 913 659	-	41 074 620	-
31 - 60 days past due	9 914 796	-	25 461 851	-
61 - 90 days past due	26 736	-	4 743 791	-
91 - 120 days past due	3 560 808	-	100 306	-
More than 120 days past due	13 092 219	(9 426 507)	18 408 906	(9 147 537)
Total	**158 508 218**	**(9 426 507)**	**89 789 474**	**(9 147 537)**

Reconciliation of loss allowances

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

	2024	2023
Opening balance	(9 147 537)	(17 150 103)
Provision raised on new trade receivables	(7 518 174)	-
Amounts recovered	-	8 002 566
Closing balance	**(16 665 711)**	**(9 147 537)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2024	2023
Cash on hand	-	546
Bank balances	44 462 504	176 097 958
	44 462 504	**176 098 504**

9. Share capital

	2024	2023
Authorised		
1 000 Ordinary shares at non-par value	1 000	1 000
Issued		
500 Ordinary shares at non-par value	2 000 500	2 000 500

10. Trade and other payables

	2024	2023
Financial instruments:		
Trade payables	15 494 011	5 675 770
Trade payables - related parties	68 796 404	171 870 801
Non-financial instruments:		
Marketing and sales accrual	13 102 911	4 257 537
Payroll payables	104 213	109 675
VAT	-	1 903 173

Notes to the Financial Statements

	2024 R	2023 R
10. Trade and other payables (continued)		
	97 497 539	**183 816 956**
Financial instrument and non-financial instrument components of trade and other payables		
At amortised cost	84 290 415	177 546 572
Non-financial instruments	13 207 124	6 270 385
	97 497 539	**183 816 957**

11. Revenue

	2024 R	2023 R
Revenue from contracts with customers		
Sale of goods	531 620 247	491 802 243

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

	2024 R	2023 R
Sale of goods		
Sale of goods	531 620 247	491 802 243
Timing of revenue recognition		
At a point in time		
Sale of goods	531 620 247	491 802 243

12. Cost of sales

	2024 R	2023 R
Sale of goods	476 466 186	453 930 314

Notes to the Financial Statements

		2024 R	2023 R

13. Other operating gains (losses)

Gains (losses) on disposals, scrappings and settlements			
Property, plant and equipment	4	-	(24)

14. Operating profit (loss)

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

	2024 R	2023 R
Auditor's remuneration - external		
Audit fees	394 148	829 114
Remuneration, other than to employees		
Consulting and professional services	223 433	249 642
Employee costs		
Salaries, wages, bonuses and other benefits	6 995 462	6 920 649
Short-term benefit	336 030	304 095
Total employee costs	**7 331 492**	**7 224 744**
Leases		
Leases of low value assets	366 086	356 430
Total lease expenses	**366 086**	**356 430**

15. Retirement benefits

Defined Contribution Plan

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 R304 095 (2023: R304 095) for the company.

16. Investment income

	2024 R	2023 R
Interest income		
Investments in financial assets:		
Bank and other cash	5 777 298	7 065 078

17. Finance costs

	2024 R	2023 R
Bank overdraft	-	516

Notes to the Financial Statements

	2024 R	2023 R

18. Taxation

Major components of the tax expense

	2024 R	2023 R
Current		
Local income tax - current period	7 949 011	4 584 826
Deferred		
Originating and reversing temporary differences	1 413 368	824 588
	9 362 379	**5 409 414**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

	2024	2023
Applicable tax rate	27,00 %	28,00 %
Permanent differences	2,83 %	(5,74)%
Deferred tax movement	1,27 %	- %
	31,10 %	**22,26 %**

19. Cash (used in)/generated from operations

	2024 R	2023 R
Profit before taxation	13 969 064	23 196 191
Adjustments for non-cash items:		
Losses on sale of assets and liabilities	-	24
Movement in bad debt provision	7 518 174	-
Adjust for items which are presented separately:		
Interest income	(5 777 298)	(7 065 078)
Finance costs	-	516
Changes in working capital:		
(Increase) decrease in inventories	34 819 404	(42 291 709)
(Increase) decrease in trade and other receivables	(92 616 158)	36 510 643
Increase (decrease) in trade and other payables	(86 319 416)	105 808 821
	(128 406 230)	**116 159 408**

20. Tax paid

	2024 R	2023 R
Balance at beginning of the year	1 905 273	4 406 950
Current tax recognised in profit or loss	(7 949 011)	(4 584 826)
Balance at end of the year	2 372 703	(1 905 273)
	(3 671 035)	**(2 083 149)**

21. Dividends paid

	2024 R	2023 R
Dividends	(5 336 033)	-

Notes to the Financial Statements

	2024 R	2023 R

22. Related parties

Relationships

Ultimate holding company	Sun Pharmaceuticals Industries Limited
Holding company	Ranbaxy South Africa Proprietary Limited
Group companies	Ranbaxy Pharmaceuticals Proprietary Limited Sunpharma (Netherlands (BV)
Shareholders	Community Investments Pharmaceuticals Proprietary Limited Ranbaxy South Africa Proprietary Limited
Members of key management	DW Brothers MJ Madungandaba DM Sewnarain A Ajoodha

Related party balances

	2024 R	2023 R
Amounts included in trade receivables regarding related parties		
Ranbaxy South Africa Proprietary Limited	11 092	94 576
Ranbaxy Pharmaceuticals Proprietary Limited	17 115 102	5 331 883
	17 126 194	**5 426 459**
Amounts included in trade payables regarding related parties		
Sun Pharmaceutical Industries Limited	(12 713 000)	(10 817 898)
Ranbaxy South Africa Proprietary Limited	(109 221)	(338 678)
Ranbaxy Pharmaceuticals Proprietary Limited	(55 974 183)	(160 714 225)
	(68 796 404)	**(171 870 801)**

Related party transactions

	2024 R	2023 R
Purchases from related parties		
Sun Pharmaceutical Industries Limited	-	2 450 504
Ranbaxy Pharmaceuticals Proprietary Limited	369 097 768	459 264 850
	369 097 768	**461 715 354**
Royalties paid to related parties		
Ranbaxy Pharmaceuticals Proprietary Limited	9 022 801	9 001 082
Dividends paid to related parties		
Ranbaxy South Africa Proprietary Limited - Dividends paid	3 735 223	-
Community Investment Holdings	1 600 810	-
	5 336 033	**-**
Compensation to directors and other key management		
Short-term employee benefits	9 322 431	14 625 412

Notes to the Financial Statements

	2024 R	2023 R

23. Directors' emoluments

Executive

2024

Directors' emoluments	Basic salary	Bonuses and performance related payments	Post retirement benefits	Total
Services as director or prescribed officer				
DW Brothers	3 550 788	773 128	210 685	4 534 601
DM Sewnarain	1 762 471	293 323	99 407	2 155 201
A Ajoodha	1 791 171	295 039	107 396	2 193 606
	7 104 430	**1 361 490**	**417 488**	**8 883 408**

2023

Directors' emoluments	Basic salary	Bonuses and performance related payments	Post retirement benefits	Total
Services as director or prescribed officer				
DW Brothers	3 653 924	751 048	591 797	4 996 769
DM Sewnarain	1 887 949	97 014	184 164	2 169 127
A Ajoodha	1 765 470	263 658	237 822	2 266 950
Umesh Maini	4 276 995	678 713	335 858	5 291 566
	11 584 338	**1 790 433**	**1 349 641**	**14 724 412**

24. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2024

	Note(s)	Amortised cost	Total
Trade and other receivables	7	181 346 225	181 346 225
Cash and cash equivalents	8	44 462 504	44 462 504
		225 808 729	**225 808 729**

2023

	Note(s)	Amortised cost	Total
Trade and other receivables	7	80 641 937	80 641 937
Cash and cash equivalents	8	176 098 504	176 098 504
		256 740 441	**256 740 441**

Categories of financial liabilities

2024

	Note(s)	Amortised cost	Total
Trade and other payables	10	84 290 415	84 290 415

2023

	Note(s)	Amortised cost	Total
Trade and other payables	10	177 546 572	177 546 572

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 shareholders, return capital to the shareholders, 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.

24. 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 contracted 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.

24. Financial instruments and risk management (continued)

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

		2024			2023		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Trade and other receivables	7	192 711 334	(9 426 507)	183 284 827	89 796 974	(9 147 537)	80 649 437
Cash and cash equivalents	8	44 462 504	-	44 462 504	176 098 504	-	176 098 504
		237 173 838	**(9 426 507)**	**227 747 331**	**265 895 478**	**(9 147 537)**	**256 747 941**

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.

2024

		Less than 1 year	**Total**	**Carrying amount**
Current liabilities				
Trade and other payables	10	66 736 826	66 736 826	84 290 415

2023

		Less than 1 year	**Total**	**Carrying amount**
Current liabilities				
Trade and other payables	10	177 546 572	177 546 572	177 546 572

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 Great British Pounds, US Dollars and Indian Rupees.

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 directors approval is required on the exposure to an individual customer or transaction that exceeds the limit.

Notes to the Financial Statements

24. Financial instruments and risk management (continued)

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

25. 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.

26. Events after the reporting period

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