

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 MARCH 2019**

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**General Information**

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|--|---|
| <b>Country of incorporation and domicile</b>       | South Africa  |
| <b>Nature of business and principal activities</b> | Pharmaceutical manufacturer and supplier  |
| <b>Directors</b>                                   | S Kahanovitz<br>P K Tirucherai<br>I Jacobson<br>M K Pillai<br>A J Mehta   |
| <b>Registered office</b>                           | 106 16th Road<br>Midrand<br>Gauteng<br>1685   |
| <b>Holding company</b>                             | Strides Pharma (Cyprus) Limited<br>incorporated in Cyprus   |
| <b>Banker</b>                                      | Standard Bank Limited   |
| <b>Auditor</b>                                     | Mazars<br>Registered Auditor  |
| <b>Company registration number</b>                 | 2013/235090/07  |
| <b>Level of assurance</b>                          | These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.                            |
| <b>Preparer</b>                                    | The annual financial statements were independently compiled by:<br>Ruan van der Burgh<br>Chartered Accountant (SA)<br>VDB Chartered Accountants Proprietary Limited |
| <b>Published</b>                                   | <u>14/01/2020</u>   |

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
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## INDEPENDENT COMPILER'S REPORT

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### To the Shareholders of Strides Pharma (SA) Proprietary Limited

On the basis of information provided by the directors, we have compiled the annual financial statements of Strides Pharma (SA) Proprietary Limited for the year ended 31 March 2019 in accordance with the International Standards on Related Services (ISRS) 4410 (Revised), International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, as set out on pages 8 to 31. These annual financial statements comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' report. The directors are ultimately responsible for the accuracy and completeness of the information used to compile these annual financial statements.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided by the directors to us to compile these annual financial statements. Accordingly, we do not express an assurance opinion on these annual financial statements.

The financial statements have been prepared externally and independently by us per the requirements of the Companies Act of South Africa.



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R van der Burgh  
Chartered Accountant (SA)  
VDB Chartered Accountants Proprietary Limited

14/01/2020  
Cape Town

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**RUAN VAN DER BURGH CA(SA)**  
DIRECTOR

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## INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Strides Pharma (SA) Proprietary Limited

### Opinion

We have audited the annual financial statements of Strides Pharma (SA) Proprietary Limited set out on pages 10 to 30, which comprise the Statement of Financial Position as at 31 March 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strides Pharma (SA) Proprietary Limited and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unqualified opinion.

REGISTERED AUDITOR – A FIRM OF CHARTERED ACCOUNTANTS(SA) • IRBA REGISTRATION NUMBER 900222

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PARTNERS: MC OLCKERS (NATIONAL CO-CEO), MV NINAN (NATIONAL CO-CEO), JM BARNARD, AK BATT, FJ CRONJE, AS JAGER, D DOLLMAN, M EDELBERG, Y FERREIRA, T GANGEN, AK HOOSAIN, MY ISMAIL, N JANSEN, J MARAIS, B MBUNGE, FN MILLER, G MOLYNEUX, S NAIDOO, MG ODENDAAL, W OLIVIER, D RESNICK, BG SACKS, MA SALEE, N SILBOWITZ, SM SOLOMON, HH SWANPOEL, MJA TEUCHERT, JC VAN TUBBERGH, EC VAN HEERDEN, N VOLSCHENK, J WATKINS-BAKER, J WESSELS

A FULL LIST OF NATIONAL PARTNERS IS AVAILABLE ON REQUEST OR AT [www.mazars.co.za](http://www.mazars.co.za)

## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the requirements of the Companies Act of South Africa and the supplementary information set out on page 31. The other information does not include the financial statements and our auditor's report thereon.

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

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

### **Responsibilities of the directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the annual 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 annual 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 Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## INDEPENDENT AUDITOR'S REPORT (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Mazars*

**Mazars**

**Partner: Jean Wessels**

**Registered Auditor**

**14 January 2020**

**Cape Town**

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Directors' Responsibilities and Approval**

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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 annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council 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 directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors are satisfied that the company has, or has 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 annual financial statements. The annual financial statements have been independently audited by the company's external auditor and their report is presented on pages 4 to 6.

The annual financial statements and supplementary information set out on pages 8 to 31, which have been prepared on the going concern basis, were approved by the directors on 14/01/2020 and were signed on their behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director  
KTP



**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Directors' Report**

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The directors have pleasure in submitting their report on the annual financial statements of Strides Pharma (SA) Proprietary Limited for the period ended 31 March 2019.

**1. Nature of business**

The company is engaged as a pharmaceutical manufacturer and supplier and operates principally in South Africa.

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

**2. Review of financial results and activities**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, the requirements of the Companies Act of South Africa and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. The company has adopted International Financial Reporting Standards for the first time during the current financial period. The effect of the change has been set out in note 22 of the annual financial statements.

The company is in start-up phase and not earning revenue. Revenue will be earned through the sale of medical products and will commence once the rights to distribute specific products are transferred to the entity.

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

**3. Authorised and issued share capital**

Refer to note 7 of the annual financial statements for detail of the movement in authorised and issued share capital.

**4. Dividends**

No dividends were declared or paid to the shareholders during the financial period ended 31 March 2019.

**5. Directors**

The directors of the company during the period and at the date of this report are as follows:

| <b>Name</b>    | <b>Changes</b>          |
|----------------|-------------------------|
| S Kahanovitz   | Appointed 18 April 2018 |
| P K Tirucherai | Appointed 19 July 2018  |
| I Jacobson     | Appointed 13 June 2018  |
| M K Pillai     |                         |
| A J Mehta      |                         |
| E Beukes       | Resigned 26 March 2018  |

**6. Holding company**

The company's holding company is Strides Pharma (Cyprus) Limited, which holds 60% (2018: 100%) of the company's equity. Strides Pharma (Cyprus) Limited is incorporated in Cyprus.

**7. Special resolutions**

During the current period the company adopted its Memorandum of Incorporation and were authorised to issue additional shares by means of special resolutions passed.

No other special resolutions, the nature of which might be significant to the shareholders in their appreciation of the state of affairs of the company were made by the company during the period covered by this report.

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Directors' Report**

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**8. Events after the reporting period**

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

**9. Going concern**

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

The company will generate revenue through purchasing and selling of medical products in the Republic in accordance with the medical dossiers purchased. The full rights to distribute the products outlined in the dossiers is expected to be registered within the next 12 months.

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.

**10. Auditor**

Mazars will continue in office as the auditor for the company for the 2020 year.

**11. Liquidity and solvency**

The directors have performed the required liquidity and solvency tests required by the Companies Act of South Africa, of which the outcome was satisfactory.

**12. Change in year-end**

During the current period the company's year-end changed to 31 March. Previously the company's year-end was 28 February. Therefore comparative amounts are not comparable to the current balances.

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Statement of Financial Position**

| Figures in Rand                     | Notes | 31 March<br>2019 | 28 February<br>2018<br>Restated* | 28 February<br>2017<br>Restated* |
|-------------------------------------|-------|------------------|----------------------------------|----------------------------------|
| <b>Assets</b>                       |       |                  |                                  |                                  |
| <b>Non-Current Assets</b>           |       |                  |                                  |                                  |
| Intangible assets                   | 3     | 5,807,616        | 5,209,721                        | 5,091,076                        |
| Deferred tax                        | 4     | 1,054,778        | 581,869                          | 309,953                          |
|                                     |       | <u>6,862,394</u> | <u>5,791,590</u>                 | <u>5,401,029</u>                 |
| <b>Current Assets</b>               |       |                  |                                  |                                  |
| VAT receivable                      | 5     | 89,471           | 1,784,615                        | 1,743,158                        |
| Cash and cash equivalents           | 6     | 1,795,415        | 1,821                            | 115,768                          |
|                                     |       | <u>1,884,886</u> | <u>1,786,436</u>                 | <u>1,858,926</u>                 |
| <b>Total Assets</b>                 |       | <u>8,747,280</u> | <u>7,578,026</u>                 | <u>7,259,955</u>                 |
| <b>Equity and Liabilities</b>       |       |                  |                                  |                                  |
| <b>Equity</b>                       |       |                  |                                  |                                  |
| Share capital                       | 7     | 9,267,741        | 100                              | 100                              |
| Accumulated loss                    |       | (2,730,811)      | (1,504,136)                      | (797,024)                        |
|                                     |       | <u>6,536,930</u> | <u>(1,504,036)</u>               | <u>(796,924)</u>                 |
| <b>Liabilities</b>                  |       |                  |                                  |                                  |
| <b>Current Liabilities</b>          |       |                  |                                  |                                  |
| Loan from group company             | 8     | 545,681          | -                                | -                                |
| Trade and other payables            | 9     | 449,498          | 56,066                           | 20,134                           |
| Advance from shareholder            | 10    | 1,202,758        | 9,025,996                        | 8,036,745                        |
| Borrowings                          | 11    | 12,413           | -                                | -                                |
|                                     |       | <u>2,210,350</u> | <u>9,082,062</u>                 | <u>8,056,879</u>                 |
| <b>Total Equity and Liabilities</b> |       | <u>8,747,280</u> | <u>7,578,026</u>                 | <u>7,259,955</u>                 |

\* 2018 and 2017 figures have been restated. Refer to note 21.

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Statement of Profit or Loss and Other Comprehensive Income**

| Figures in Rand                                | Notes | 13 months<br>ended<br>31 March<br>2019 | 12 months<br>ended<br>28 February<br>2018<br>Restated* |
|--|-------|--|--|
| Other operating income                         | 12    | 50,000                                 | -  |
| Other operating expenses                       |       | (1,749,585)                            | (979,028)  |
| <b>Operating loss</b>                          | 13    | <b>(1,699,585)</b>                     | <b>(979,028)</b>                                       |
| <b>Loss before taxation</b>                    |       | <b>(1,699,585)</b>                     | <b>(979,028)</b>                                       |
| Taxation                                       | 14    | 472,910                                | 271,916  |
| <b>Loss for the period</b>                     |       | <b>(1,226,675)</b>                     | <b>(707,112)</b>                                       |
| Other comprehensive income                     |       | -                                      | -  |
| <b>Total comprehensive loss for the period</b> |       | <b>(1,226,675)</b>                     | <b>(707,112)</b>                                       |

\* 2018 figures have been restated. Refer to note 21.

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Statement of Changes in Equity**

| <b>Figures in Rand</b>   | <b>Share capital</b> | <b>Accumulated loss</b> | <b>Total equity</b> |
|--|----------------------|-------------------------|---------------------|
| Opening balance as previously reported   | 100                  | (891,398)               | (891,298)           |
| Adjustments  |                      |                         |                     |
| Prior period error (refer note 21)   | -                    | 94,374                  | 94,374              |
| <b>Balance at 01 March 2017 as restated</b>  | <b>100</b>           | <b>(797,024)</b>        | <b>(796,924)</b>    |
| Loss for the year  | -                    | (707,112)               | (707,112)           |
| Other comprehensive income   | -                    | -                       | -                   |
| <b>Total comprehensive loss for the year</b>   | <b>-</b>             | <b>(707,112)</b>        | <b>(707,112)</b>    |
| <b>Balance at 01 March 2018</b>  | <b>100</b>           | <b>(1,504,136)</b>      | <b>(1,504,036)</b>  |
| Loss for the period  | -                    | (1,226,675)             | (1,226,675)         |
| Other comprehensive income   | -                    | -                       | -                   |
| <b>Total comprehensive loss for the period</b>   | <b>-</b>             | <b>(1,226,675)</b>      | <b>(1,226,675)</b>  |
| Issue of shares  | 9,267,641            | -                       | 9,267,641           |
| <b>Total contributions by and distributions to owners of company recognised directly in equity</b> | <b>9,267,641</b>     | <b>-</b>                | <b>9,267,641</b>    |
| <b>Balance at 31 March 2019</b>  | <b>9,267,741</b>     | <b>(2,730,811)</b>      | <b>6,536,930</b>    |
| Note   | 7                    |                         |                     |

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Statement of Cash Flows**

| Figures in Rand                                       | Notes | 13 months<br>ended<br>31 March<br>2019 | 12 months<br>ended<br>28 February<br>2018<br>Restated* |
|---|-------|--|--|
| <b>Cash flows from (used in) operating activities</b> |       |  |  |
| Cash generated from (used in) operations              | 15    | <u>644,560</u>                         | <u>(984,554)</u>                                       |
| <b>Cash flows used in investing activities</b>        |       |  |  |
| Additions to intangible assets                        | 3     | <u>(597,895)</u>                       | <u>(118,645)</u>                                       |
| <b>Cash flows from financing activities</b>           |       |  |  |
| Proceeds from loans from group companies              | 16    | 290,212                                | -  |
| Repayment of loans from group companies               | 16    | (100)                                  | -  |
| Proceeds from borrowings                              | 16    | 12,413                                 | -  |
| Proceeds from shareholder's loan                      | 16    | <u>1,444,404</u>                       | <u>989,252</u>   |
| <b>Net cash from financing activities</b>             |       | <u><b>1,746,929</b></u>                | <u><b>989,252</b></u>                                  |
| <b>Total cash movement for the period</b>             |       | <b>1,793,594</b>                       | <b>(113,947)</b>                                       |
| Cash at the beginning of the period                   |       | <u>1,821</u>                           | <u>115,768</u>   |
| <b>Total cash at end of the period</b>                | 6     | <u><b>1,795,415</b></u>                | <u><b>1,821</b></u>                                    |

\* 2018 figures have been restated. Refer to note 21.

**STRIDES PHARMA (SA) PROPRIETARY LIMITED**  
**(Registration number 2013/235090/07)**  
**Annual Financial Statements for the period ended 31 March 2019**  
**Accounting Policies**

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**1. Significant accounting policies**

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

**1.1 Basis of preparation**

The annual 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 Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of South Africa.

These annual financial statements comply with the requirements of the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual 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, except for the changes set out in note 22 First-time adoption of International Financial Reporting Standards.

**1.2 Significant judgements and sources of estimation uncertainty**

The preparation of annual 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.

**Critical judgements in applying accounting policies**

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

**Intangible assets - Initial recognition**

The initial recognition of the intangible asset is based on management's judgement and application of the requirements of IAS 38. Management makes assumptions and applies judgement regarding the expected future cash generation of the rights upon initial recognition of intangible assets. Intangible assets initial recognition consists of rights obtained in terms of a valid contract with the purchaser as well as external costs incurred to register these rights with regulatory bodies.

**Key sources of estimation uncertainty**

**Impairment testing (Estimate)**

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.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

## **1.2 Significant judgements and sources of estimation uncertainty (continued)**

### **Intangible assets**

Predicting the useful life of an intangible asset requires significant judgement. The diverse categories of intangible assets will have different useful lives, whilst a number of intangible assets may even be considered to have indefinite useful lives. The useful life associated with an asset that has no patent protection but that retains, and is expected to retain, a distinct identity is considered to be indefinite and the asset would not be amortised.

### **Taxation (Judgement)**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. The company is not yet generating revenue. The company expects to begin generating revenue within the foreseeable future, once the rights to distribute medical products is registered, which is expected to result in taxable income that will be used to recover the assessed loss deferred tax asset. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

## **1.3 Intangible assets**

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

Intangible assets relate to purchased medical dossiers as well as license and registration fees incurred. All intangible assets have finite useful lives and amortisation is provided on a straight line basis over their useful life. The useful lives are determined using historic information for similar products in a similar market as well as using operational and financial projections to determine the expected product's market useful life.

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

| <b>Item</b>                          | <b>Average useful life</b> |
|--------------------------------------|----------------------------|
| Patents, trademarks and other rights | 10 - 15 years              |



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#### **1.4 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 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).

**Financial liabilities:**

- Amortised cost.

Note 23 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:

#### **Loans payable**

##### **Classification**

The following liabilities are classified as financial liabilities measured at amortised cost:

- Loan from group company (refer to note 8);
- Advance from shareholder (refer to note 10); and
- Borrowings (note 11).

##### **Recognition and measurement**

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

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

Loans repayable on demand are shown at an amount which is not less than the amount repayable on demand discounted from the first date the holder of the loan can demand/request repayment.

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**1.4 Financial instruments (continued)**

**Trade and other payables**

**Classification**

Trade and other payables (refer to note 9) are classified as financial liabilities measured at amortised cost.

**Recognition and measurement**

Trade and other payables 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.

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

**Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

**Reclassification**

**Financial assets and liabilities**

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 are not reclassified.

**1.5 Tax**

The company implements a "comprehensive balance sheet method" of accounting for income taxes, which recognises both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of the entity's assets and liabilities (accounted for as deferred tax).

Current tax is recognised in accordance with relevant legislation. For transactions and events recognised in profit or loss, any related tax effects are also recognised in profit or loss.

For transactions and events recognised in other comprehensive income or directly in equity, the related tax effect is also recognised in other comprehensive income or directly in equity.

Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses, are recognised, with limited exceptions, as deferred tax liabilities or deferred tax assets.

**1.6 Leases**

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

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**1.6 Leases (continued)**

**Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability (in the event that the contractual payments are less than the straight-lined expense amount). This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

**1.7 Impairment of non-financial 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.

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.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company's of assets. When the carrying amount of an asset or cash-generating unit's exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 is recognised immediately in profit or loss.

**1.8 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 classified as equity.

**1.9 Employee benefits**

**Short-term employee benefits**

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the service is rendered, such as paid vacation leave and sick leave, bonuses, and pension contributions), 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.

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**2. New Standards and Interpretations**

**2.1 Standards and interpretations effective and adopted in the current period**

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

| <b>Standard/ Interpretation:</b>   | <b>Effective date:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>  |
|--|--|--|
| <ul style="list-style-type: none"> <li>IFRS 9 Financial Instruments</li> </ul>   | 01 January 2018  | The standard had no significant impact as the only financial asset held is cash and cash equivalents for which the accounting has not been changed. The accounting for financial liabilities have remained consistent to what has been applied under IAS 39. |
| <ul style="list-style-type: none"> <li>IFRS 15 Revenue from Contracts with Customers</li> </ul>  | 01 January 2018  | The standard had no impact as contractual revenue has not been earned yet.   |
| <ul style="list-style-type: none"> <li>Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers</li> </ul> | 01 January 2018  | The standard had no impact as contractual revenue has not been earned yet.   |

**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 2019 or later periods:

| <b>Standard/ Interpretation:</b>   | <b>Effective date:<br/>Years beginning on or<br/>after</b> | <b>Expected impact:</b>      |
|--|--|------------------------------|
| <ul style="list-style-type: none"> <li>Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle</li> </ul> | 01 January 2019  | No material impact expected. |
| <ul style="list-style-type: none"> <li>IFRIC 23 Uncertainty over Income Tax Treatments</li> </ul>                                  | 01 January 2019  | No material impact expected. |
| <ul style="list-style-type: none"> <li>IFRS 16 Leases</li> </ul>   | 01 January 2019  | No material impact expected. |

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|-----------------|--|---|
|-----------------|--|---|

**3. Intangible assets**

|                                      | 2019      |                             |                   | 2018      |                             |                   |
|--------------------------------------|-----------|-----------------------------|-------------------|-----------|-----------------------------|-------------------|
|                                      | Cost      | Accumulated<br>amortisation | Carrying<br>value | Cost      | Accumulated<br>amortisation | Carrying<br>value |
| Patents, trademarks and other rights | 5,807,616 | -                           | 5,807,616         | 5,209,721 | -                           | 5,209,721         |

**Reconciliation of intangible assets - 2019**

|                                      | Opening<br>balance | Additions | Closing<br>balance |
|--------------------------------------|--------------------|-----------|--------------------|
| Patents, trademarks and other rights | 5,209,721          | 597,895   | 5,807,616          |

**Reconciliation of intangible assets - 2018**

|                                      | Opening<br>balance | Additions | Closing<br>balance |
|--------------------------------------|--------------------|-----------|--------------------|
| Patents, trademarks and other rights | 5,091,076          | 118,645   | 5,209,721          |

The intangible assets comprises of purchased medical dossiers providing the company with rights to sell and distribute specified medical products in the Republic of South Africa. The rights have not yet transferred to the company in its entirety and as such the intangible assets are not considered ready for use.

**4. Deferred tax**

**Deferred tax asset**

|   |                  |                |
|---|------------------|----------------|
| Accrual for bonus   | 3,227            | -              |
| Accrual for leave pay   | 10,547           | -              |
| Accrual for audit fees  | 22,400           | -              |
| Pre-trade expenditure (11A) available for set off against future taxable income | 1,018,604        | 581,869        |
| <b>Total deferred tax asset</b>   | <b>1,054,778</b> | <b>581,869</b> |

**Reconciliation of deferred tax asset**

|  |                  |                |
|--|------------------|----------------|
| At beginning of period   | 581,869          | 309,953        |
| Temporary differences on accrual for bonus   | 3,227            | -              |
| Temporary differences on accrual for leave pay   | 10,547           | -              |
| Temporary differences on pre-trade expenditure (11A) available for set off against future taxable income | 436,735          | 271,916        |
| Temporary differences on accrual for audit fees  | 22,400           | -              |
|  | <b>1,054,778</b> | <b>581,869</b> |

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|--|--|---|
| <b>4. Deferred tax (continued)</b>   |  |   |
| <b>Recognition of deferred tax asset</b>   |  |   |
| Management's assessment is that it is probable that future taxable income will be available to utilise the pre-trade expenditure recognised. The assessment is based on forecasted results that are expected once the company is able to generate revenue in the foreseeable future. |  |   |
| <b>5. VAT receivable</b>   |  |   |
| <b>Non-financial instruments:</b>  |  |   |
| Value Added Taxation   | 89,471                                 | 1,784,615                                 |
| <b>Total trade and other receivables</b>   | <u>89,471</u>                          | <u>1,784,615</u>                          |
| <b>Categorisation of trade and other receivables</b>   |  |   |
| Non-financial instruments  | <u>89,471</u>                          | <u>1,784,615</u>                          |
| <b>6. Cash and cash equivalents</b>  |  |   |
| Cash and cash equivalents consist of:  |  |   |
| Bank balances  | <u>1,795,415</u>                       | <u>1,821</u>                              |
| <b>Fair value of cash and cash equivalents</b>   |  |   |
| Due to the short-term nature of cash and cash equivalents, the carrying amount is deemed to approximate fair value.  |  |   |
| <b>Credit quality of cash and cash equivalents</b>   |  |   |
| Bank balances are held with reputable financial institutions of high credit standing.  |  |   |
| <b>7. Share capital</b>  |  |   |
| <b>Authorised</b>  |  |   |
| 1,000 Ordinary shares of no par value  | <u>1,000</u>                           | <u>1,000</u>                              |
| <b>Reconciliation of number of shares issued:</b>  |  |   |
| Reported as at 01 March 2018   | 100                                    | 100                                       |
| Issue of shares – ordinary shares  | <u>20</u>                              | <u>-</u>                                  |
|  | <u>120</u>                             | <u>100</u>                                |
| <b>Issued</b>  |  |   |
| 120 (2018: 100) Ordinary shares no par value   | <u>9,267,741</u>                       | <u>100</u>                                |

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|--|--|---|
| <b>8. Loan from group company</b>  |  |   |
| The Vaccine Bureau Proprietary Limited   | 545,681                                | -   |
| The loan is unsecured, interest free and repayable on demand.  |  |   |
| <b>Split between non-current and current portions</b>  |  |   |
| Current liabilities  | 545,681                                | -   |
| <b>Fair value of loan from group company</b>   |  |   |
| The fair value of the loan from group company classified as current equals its carrying amount due to the short term nature.                         |  |   |
| <b>9. Trade and other payables</b>   |  |   |
| <b>Financial instruments:</b>  |  |   |
| Trade payables   | 244,155                                | -   |
| <b>Non-financial instruments:</b>  |  |   |
| Audit fee accrual  | 80,000                                 | -   |
| Payroll accruals   | 125,343                                | 56,066                                    |
|  | <b>449,498</b>                         | <b>56,066</b>                             |
| <b>Fair value of trade and other payables</b>  |  |   |
| Trade and other payables are carried at amortised cost, with the fair value being approximated by such carrying value, due to its short term nature. |  |   |
| <b>10. Advance from shareholder</b>  |  |   |
| Strides Pharma (Cyprus) Limited  | 1,202,758                              | 9,025,996                                 |
| The loan is unsecured, interest free (2018: interest free) and repayable on demand.  |  |   |
| <b>Split between non-current and current portions</b>  |  |   |
| Current liabilities  | 1,202,758                              | 9,025,996                                 |
| <b>Fair value of advance from shareholder</b>  |  |   |
| The fair value of the advance from shareholder classified as current equals its carrying amount due to the short term nature.                        |  |   |

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|---|--|---|
| <b>11. Borrowings</b>   |  |   |
| <b>Held at amortised cost</b>   |  |   |
| K2 Medical Proprietary Limited  | 12,413   | -   |
| The loan is unsecured, interest free and repayable on demand.   |  |   |
| <b>Split between non-current and current portions</b>   |  |   |
| Current liabilities   | 12,413   | -   |
| <b>Fair value of borrowings</b>   |  |   |
| The fair value of the borrowings classified as current equals its carrying amount due to the short term nature. |  |   |
| <b>12. Other operating income</b>   |  |   |
| Management fees received  | 50,000   | -   |
| <b>13. Operating loss</b>   |  |   |
| Operating loss for the period is stated after charging (debiting) the following, amongst others:                |  |   |
| <b>Employee costs</b>   |  |   |
| Salaries, wages, bonuses and other benefits   | 1,120,984  | 586,427   |
| <b>Leases</b>   |  |   |
| <b>Operating lease charges</b>  |  |   |
| Premises  | 59,548   | 78,392  |
| <b>Expenses by nature</b>   |  |   |
| Consulting fees   | 196,910  | 93,317  |



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|--|--|---|
| <b>14. Taxation</b>  |  |   |
| <b>Major components of the tax income</b>                                  |  |   |
| <b>Deferred</b>  |  |   |
| Originating and reversing temporary differences                            | (472,910)                              | (271,916)                                 |
| <b>Reconciliation of the tax income</b>                                    |  |   |
| Reconciliation between applicable tax rate and average effective tax rate. |  |   |
| Applicable tax rate  | (28.00)%                               | (28.00)%                                  |
| Non-deductible expenses  | 0.17 %                                 | 0.23 %                                    |
|  | <u>(27.83)%</u>                        | <u>(27.77)%</u>                           |

No provision has been made for 2019 tax as the company has no taxable income. The estimated pre-trade expenditure available for set off against future taxable income in terms of Section 11A is R 3,637,871 (2018: R 2,078,102).

**15. Cash generated from (used in) operations**

|   |                |                  |
|---|----------------|------------------|
| Loss before taxation                            | (1,699,585)    | (979,028)        |
| <b>Adjustments for:</b>                         |                |                  |
| Non-cash movement on loans from group companies | 255,569        | -                |
| <b>Changes in working capital:</b>              |                |                  |
| VAT receivable                                  | 1,695,144      | (41,456)         |
| Trade and other payables                        | 393,432        | 35,930           |
|   | <u>644,560</u> | <u>(984,554)</u> |

**16. Changes in liabilities arising from financing activities**

**Reconciliation of liabilities arising from financing activities - 2019**

|  | Opening<br>balance | Cash<br>receipts | Cash<br>payments | Share capital<br>issued | Expenses<br>recovered | Closing<br>balance |
|--|--------------------|------------------|------------------|-------------------------|-----------------------|--------------------|
| Borrowings   | -                  | 12,413           | -                | -                       | -                     | 12,413             |
| Advance from shareholder                           | 9,025,996          | 1,444,403        | -                | (9,267,641)             | -                     | 1,202,758          |
| Loan from group company                            | -                  | 290,212          | (100)            | -                       | 255,569               | 545,681            |
| <b>Total liabilities from financing activities</b> | <u>9,025,996</u>   | <u>1,747,028</u> | <u>(100)</u>     | <u>(9,267,641)</u>      | <u>255,569</u>        | <u>1,760,852</u>   |

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|-----------------|--|---|
|-----------------|--|---|

**16. Changes in liabilities arising from financing activities (continued)**

**Reconciliation of liabilities arising from financing activities - 2018**

|  | Opening<br>balance | Cash<br>receipts | Closing<br>balance |
|--|--------------------|------------------|--------------------|
| Advance from shareholder                           | 8,036,744          | 989,252          | 9,025,996          |
| <b>Total liabilities from financing activities</b> | <b>8,036,744</b>   | <b>989,252</b>   | <b>9,025,996</b>   |

**17. Related parties**

**Relationships**

|   |   |
|---|---|
| Holding company                               | Strides Pharma (Cyprus) Limited   |
| Shareholder with significant influence        | Juno Pharma South Africa Proprietary Limited  |
| Entities with common key management personnel | Regipharm Proprietary Limited<br>K2 Medical Proprietary Limited<br>The Vaccine Bureau Proprietary Limited |

**Related party balances**

**Loan accounts - Owing to related parties**

|  |           |           |
|--|-----------|-----------|
| K2 Medical Proprietary Limited         | 12,413    | -         |
| The Vaccine Bureau Proprietary Limited | 545,681   | -         |
| Strides Pharma (Cyprus) Limited        | 1,202,758 | 9,025,996 |

**Related party transactions**

**Rent paid to related parties**

|                                |        |        |
|--------------------------------|--------|--------|
| Regipharm Proprietary Limited  | 13,200 | 78,392 |
| K2 Medical Proprietary Limited | 46,347 | -      |

**Management fees received from related party**

|  |        |   |
|--|--------|---|
| The Vaccine Bureau Proprietary Limited | 50,000 | - |
|--|--------|---|

**Recoveries paid to related party**

|                                |       |   |
|--------------------------------|-------|---|
| K2 Medical Proprietary Limited | 5,806 | - |
|--------------------------------|-------|---|

**Directors fees paid**

|                              |        |         |
|------------------------------|--------|---------|
| Short-term employee benefits | 17,700 | 104,055 |
|------------------------------|--------|---------|

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**18. Directors' emoluments**

**Executive**

**2019**

For services as directors

| Emoluments | Total  |
|------------|--------|
| 17,700     | 17,700 |

**2018**

For services as directors

| Emoluments | Total   |
|------------|---------|
| 104,055    | 104,055 |

**19. Going concern**

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

The company will generate revenue through purchasing and selling of medical products in the Republic in accordance with the medical dossiers purchased. The full rights to distribute the products outlined in the dossiers is expected to be registered within the next 12 months.

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.

**20. Events after the reporting period**

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

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|------------------------|---|---|
|------------------------|---|---|

**21. Prior period error**

During the current period, management became aware of capital expenditure relating to intangible assets recognised had been incorrectly expensed during the 2017 and 2018 financial years. The capital expenditure met the definition and recognition criteria of intangible assets and as such should have been capitalised to the Statement of Financial Position. Intangible assets, other operating expenses, taxation and deferred tax have been retrospectively adjusted to the reflect the correction of the error.

The correction of the error results in adjustments as follows:

|  |           |           |
|--|-----------|-----------|
| <b>Statement of Financial Position</b> |           |           |
| Intangible assets                      | 249,721   | 131,076   |
| Deferred tax                           | (69,922)  | (36,702)  |
| Accumulated loss                       | (94,374)  | -         |
| <b>Profit or Loss</b>                  |           |           |
| Other operating expenses               | (118,645) | (131,076) |
| Taxation                               | 33,220    | 36,702    |

**22. First-time adoption of International Financial Reporting Standards**

The company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2018 comparatives contained in these annual financial statements previously presented under the International Financial Reporting Standard for Small and Medium-sized Entities differ from those published in the annual financial statements for the year ended 28 February 2018.

The date of transition was 1 March 2018. The effect of the transition was not material in respect of the line items previously presented in the statement of financial position, statement of comprehensive income, statement of changes in equity and the statement of cash flows in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

The transition did however result in additional disclosure in respect of the notes to the annual financial statements relating to financial instrument line items and risk management.

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**23. Financial instruments and risk management**

**Categories of financial instruments**

**Categories of financial assets**

**2019**

|                           | Note | Amortised<br>cost | Total     |
|---------------------------|------|-------------------|-----------|
| Cash and cash equivalents | 6    | 1,795,415         | 1,795,415 |

**2018**

|                           | Note | Amortised<br>cost | Total |
|---------------------------|------|-------------------|-------|
| Cash and cash equivalents | 6    | 1,821             | 1,821 |

**Categories of financial liabilities**

**2019**

|                          | Notes | Amortised<br>cost | Total            |
|--------------------------|-------|-------------------|------------------|
| Trade and other payables | 9     | 244,155           | 244,155          |
| Loan from group company  | 8     | 545,681           | 545,681          |
| Advance from shareholder | 10    | 1,202,758         | 1,202,758        |
| Borrowings               | 11    | 12,413            | 12,413           |
|                          |       | <b>2,005,007</b>  | <b>2,005,007</b> |

**2018**

|                          | Note | Amortised<br>cost | Total     |
|--------------------------|------|-------------------|-----------|
| Advance from shareholder | 10   | 9,025,996         | 9,025,996 |

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**23. Financial instruments and risk management (continued)**

**Capital risk management**

The company's objectives when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the company consists of the loan from group company disclosed in note 8, borrowings disclosed in note 11, the advance from shareholder disclosed in note 10, cash and cash equivalents disclosed in note 6, share capital disclosed in note 7 and accumulated loss disclosed in the statement of changes in equity.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

Externally imposed capital requirements are assessed and managed on a group basis. As at the reporting date none of these imposed requirements were breached.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

**Financial risk management**

**Overview**

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

- Credit risk; and
- Liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by senior management.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Credit risk consists mainly cash and cash equivalents.

The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

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

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**23. Financial instruments and risk management (continued)**

|                           |   | 2019                  |                       |                             | 2018                  |                       |                             |
|---------------------------|---|-----------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------------|
|                           |   | Gross carrying amount | Credit loss allowance | Amortised cost / fair value | Gross carrying amount | Credit loss allowance | Amortised cost / fair value |
| Cash and cash equivalents | 6 | 1,795,415             | -                     | 1,795,415                   | 1,821                 | -                     | 1,821                       |

**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's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities and ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

Typically the company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations.

The maturity profile of contractual cash flows of financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

**2019**

|                            |    | Less than 1 year | Total            | Carrying amount  |
|----------------------------|----|------------------|------------------|------------------|
| <b>Current liabilities</b> |    |                  |                  |                  |
| Trade and other payables   | 9  | 244,155          | 244,155          | 244,155          |
| Loan from group company    | 8  | 545,681          | 545,681          | 545,681          |
| Advance from shareholder   | 10 | 1,202,758        | 1,202,758        | 1,202,758        |
| Borrowings                 | 11 | 12,413           | 12,413           | 12,413           |
|                            |    | <b>2,005,007</b> | <b>2,005,007</b> | <b>2,005,007</b> |

**2018**

|                            |    | Less than 1 year | Total     | Carrying amount |
|----------------------------|----|------------------|-----------|-----------------|
| <b>Current liabilities</b> |    |                  |           |                 |
| Advance from shareholder   | 10 | 9,025,996        | 9,025,996 | 9,025,996       |

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**Detailed Income Statement**

| <b>Figures in Rand</b>           | <b>Notes</b> | <b>13 months<br/>ended<br/>31 March<br/>2019</b> | <b>12 months<br/>ended<br/>28 February<br/>2018</b> |
|----------------------------------|--------------|--|---|
| <b>Other operating income</b>    |              |  |   |
| Management fees received         | 12           | 50,000   | -   |
| <b>Other operating expenses</b>  |              |  |   |
| Accounting fees                  |              | -  | (18,722)  |
| Advertising                      |              | (3,708)  | -   |
| Auditor's remuneration           |              | (113,620)  | -   |
| Bank charges                     |              | (7,620)  | (2,607)   |
| Computer expenses                |              | -  | (17,951)  |
| Consulting fees                  |              | (196,910)  | (93,317)  |
| Employee costs                   |              | (1,120,984)                                      | (586,427)   |
| Entertainment                    |              | (1,917)  | (3,151)   |
| General supplies                 |              | (89,766)   | (3,159)   |
| Insurance                        |              | (13,990)   | -   |
| Lease rentals on operating lease |              | (59,548)   | (78,392)  |
| Other expenses                   |              | (21)   | -   |
| Petty cash - write off           |              | -  | (7,900)   |
| Postage                          |              | (412)  | -   |
| Printing and stationery          |              | (695)  | (37,043)  |
| Professional fees                |              | (32,251)   | -   |
| Secretarial fees                 |              | -  | (104,055)   |
| Service level agreement          |              | (9,968)  | -   |
| Staff welfare                    |              | (3,440)  | (1,200)   |
| Subscription fees                |              | (816)  | (18,248)  |
| Telephone and fax                |              | (3,700)  | -   |
| Training and development         |              | (18,741)   | (6,456)   |
| Travel - local                   |              | (30,708)   | (400)   |
| Travel - overseas                |              | (40,770)   | -   |
|                                  |              | <b>(1,749,585)</b>                               | <b>(979,028)</b>                                    |
| <b>Loss before taxation</b>      |              | <b>(1,699,585)</b>                               | <b>(979,028)</b>                                    |
| Taxation                         | 14           | 472,910  | 271,916   |
| <b>Loss for the period</b>       |              | <b>(1,226,675)</b>                               | <b>(707,112)</b>                                    |