STRIDES PHARMA (SA) PROPRIETARY LIMITED
(Registration number 2013/235090/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supply and trading of pharmaceutical products
Directors	S Kahanovitz P K Tirucherai I Jacobson V Rajasekar R Garella
Registered office	106 16th Road Midrand Gauteng 1685
Holding company	Strides Pharma (Cyprus) Limited incorporated in Cyprus
Banker	Standard Bank Limited
Auditor	Mazars Registered Auditor
Company registration number	2013/235090/07
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were independently compiled by: Ruan van der Burgh Chartered Accountant (SA) VDB Chartered Accountants Proprietary Limited
Published	________________________

Contents

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

VDB CHARTERED ACCOUNTANTS

UNIT 2 ABBEYDALE HOUSE
4 QUEEN STREET
DURBANVILLE
7550

INDEPENDENT COMPILER'S REPORT

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 2021 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 38. 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.

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

15 December 2021
Cape Town

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Independent Auditor's Report

To the Shareholders of Strides Pharma (SA) Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Strides Pharma (SA) Proprietary Limited set out on pages 11 to 37, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strides Pharma (SA) Proprietary Limited as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Impact of Outbreak of COVID-19 on the Financial Statements

The South-African economy has been deeply impacted by the COVID-19 pandemic and the resulting nation-wide lockdown which has been in effect since 27 March 2020. After the initial lockdown the government implemented a risk-based lockdown level approach which saw the easing of certain limitations. The impact of the outbreak of COVID-19 had taken place during the financial year of the company and is reflected in its results.

We draw attention to the directors' view of the impact of COVID-19 as disclosed in note 24 of the financial statements. Whilst the situation is still evolving the directors have reviewed the entity's cash flow forecast for the period to 31 March 2022 and having regard for the current financial position, the directors are satisfied that the entity has access to adequate resources for the continued operational existence of the company for the foreseeable future and accordingly these financial statements have been prepared on a going concern basis.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Strides Pharma (SA) Proprietary Limited Annual Financial Statements for the year ended 31 March 2021" which includes the Directors Report as is required by the Companies Act of South Africa and the Detailed Income Statement. The other information does not include the financial statements and our auditor's reports thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the 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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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: Gerhard De Beer
Registered Auditor
5 January 2022
Pretoria

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 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 year 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 38, which have been prepared on the going concern basis, were approved by the directors on ________________________ and were signed on their behalf by:

Selwyn Kahanovitz
Selwyn Kahanovitz (Jan 5, 2022 23:24 GMT+2)

Director

KRISHNAN TIRUCHERAI PARTHASARATHY
KRISHNAN TIRUCHERAI PARTHASARATHY (Jan 7, 2022 17:49 GMT+8)

Director

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Strides Pharma (SA) Proprietary Limited for the year ended 31 March 2021.

1. Nature of business

The company is engaged in the supply and trading of pharmaceutical products 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 accounting policies have been applied consistently compared to the prior period, except for the adoption of new or revised accounting standards as set out in note 2.

The company is in start-up phase and only started earning revenue during the prior year. Revenue is earned through the sale of medical products.

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

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

4. Dividends

No dividends were declared or paid to the shareholders during the financial year ended 31 March 2021 (2020: R nil).

5. Directors

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

Directors	Changes
S Kahanovitz	
P K Tirucherai	
I Jacobson	
V Rajasekar	Appointed 15 July 2020
R Garella	Appointed 23 June 2021
M K Pillai	Resigned 15 July 2020
A J Mehta	Resigned 23 June 2021

6. Holding company

The company's holding company is Strides Pharma (Cyprus) Limited, which holds 60% (2020: 60%) of the company's equity. Strides Pharma (Cyprus) Limited is incorporated in Cyprus.

7. Special resolutions

No 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.

8. Events after the reporting period

Subsequent to the financial year-end, the entity obtained an R6 million facility from Investec Bank Limited through Trinity Pharma Proprietary Limited. The facility is for a period of six months, of which the following securities were granted:
- Cession of debtors; and
- Guarantees issued in favour of Investec Bank Limited.

Other than the above, 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, including specific consideration of the risk associated with COVID-19. 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 have been registered and launched for a number of products. Significant sales relating to these products are expected in the next few 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. COVID-19 implication

The spread of the COVID-19 virus has not had a negative impact on the revenue and profits generated by the entity. Revenue has increased during the current year, despite the spread of the virus, while the losses incurred decreased year on year.

The spread of the virus, however, resulted in a backlog resubmission program for the approval of dossiers being moved out by a month when the country went into a hard lockdown. This had the implication that the turnaround time from manufactures in terms of the information required for dossier submissions was significantly delayed.

Additionally, the crash in the currencies at the start of the pandemic had a direct impact on the company's margins as all products are purchased in USD. The shortages of freight containers worldwide also led to delay in product launches and increased freight costs.

The uptake in one of the dossiers was much slower than anticipated as the market was overstocked with another dossier to be used in COVID-19 treatment.

The global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences on the business activity. Management has considered the current cash position, and forecasts have been adjusted accordingly to take into account expected COVID-19 implications.

The situation is being monitored continuously and measures have been put in place to curb the spread of the virus.

11. Auditor

Mazars will continue in office as the auditor for the company for the 2022 year.

12. 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.

STRIDES PHARMA (SA) PROPRIETARY LIMITED
(Registration number 2013/235090/07)
Annual Financial Statements for the year ended 31 March 2021
Statement of Financial Position

Figures in Rand	Notes	2021	2020
Assets			
Non-Current Assets			
Intangible assets	3	11,129,498	10,652,077
Deferred tax	4	3,485,147	2,399,332
		14,614,645	**13,051,409**
Current Assets			
Inventories	5	6,106,274	-
Trade and other receivables	6	1,812,001	55,745
Cash and cash equivalents	7	427,473	61,369
		8,345,748	**117,114**
Total Assets		**22,960,393**	**13,168,523**
Equity and Liabilities			
Equity			
Share capital	8	9,267,741	9,267,741
Accumulated loss		(9,046,347)	(6,228,498)
		221,394	**3,039,243**
Liabilities			
Non-Current Liabilities			
Loan from group company	9	1,642,851	1,642,851
Loans from shareholders	10	8,520,554	3,292,767
		10,163,405	**4,935,618**
Current Liabilities			
Trade and other payables	11	12,575,594	5,193,662
Total Liabilities		**22,738,999**	**10,129,280**
Total Equity and Liabilities		**22,960,393**	**13,168,523**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	12	3,563,264	1,199,513
Cost of sales	13	(3,450,775)	(1,103,634)
Gross profit		**112,489**	**95,879**
Other operating gains (losses)	14	675,159	(1,007,836)
Other operating expenses		(4,238,722)	(3,875,286)
Operating loss	15	**(3,451,074)**	**(4,787,243)**
Finance costs		(452,590)	(55,003)
Loss before taxation		**(3,903,664)**	**(4,842,246)**
Taxation	16	1,085,815	1,344,559
Loss for the year		**(2,817,849)**	**(3,497,687)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(2,817,849)**	**(3,497,687)**

Statement of Changes in Equity

Figures in Rand	Share capital	Accumulated loss	Total equity
Balance at 01 April 2019	**9,267,741**	**(2,730,811)**	**6,536,930**
Loss for the period	-	(3,497,687)	(3,497,687)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	**-**	**(3,497,687)**	**(3,497,687)**
Balance at 01 April 2020	**9,267,741**	**(6,228,498)**	**3,039,243**
Loss for the year	-	(2,817,849)	(2,817,849)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(2,817,849)**	**(2,817,849)**
Balance at 31 March 2021	**9,267,741**	**(9,046,347)**	**221,394**
Note	8		

Statement of Cash Flows

Figures in Rand	Notes	2021	2020
Cash flows (used in) from operating activities			
Cash (used in) generated from operations	17	(3,667,510)	57,425
Finance costs		-	(55,003)
Net cash (used in) from operating activities		**(3,667,510)**	**2,422**
Cash flows used in investing activities			
Additions to intangible assets	3	(966,346)	(4,911,234)
Sale of other intangible assets	3	224,763	-
Net cash used in investing activities		**(741,583)**	**(4,911,234)**
Cash flows from financing activities			
Proceeds from loan from group company		-	1,097,170
Repayment of borrowings		-	(12,413)
Proceeds from shareholders' loan		4,775,197	2,090,009
Net cash from financing activities		**4,775,197**	**3,174,766**
Total cash movement for the year		**366,104**	**(1,734,046)**
Cash at the beginning of the year		61,369	1,795,415
Total cash at end of the year	7	**427,473**	**61,369**

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 adoption of new or revised standards as detailed in note 2.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with International Financial Reporting Standards 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 of financial assets (Judgement)

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.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing of non-financial assets (Estimate)

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.

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 subsequently 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.

1.3 Intangible assets (continued)

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

Item	**Average useful life**
Licensed dossiers	5 - 15 years
Computer software	3 years

1.4 Inventories

Inventories are measured at the lower of cost and net realisable value on the first-in-first-out basis.

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.5 Financial instruments

Classification

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

The company classifies its financial assets and financial liabilities into the following categories:
- Financial assets which are debt instruments measured at amortised cost; and
- Financial liabilities measured at amortised cost.

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the company’s business model for managing them. Financial assets held at amortised cost are measured initially at fair value including transaction costs, except for trade receivables that do not contain a significant financing component which are measured at the transaction price determined under IFRS 15. Financial liabilities at amortised cost are recognised initially at fair value.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

1.5 Financial instruments (continued)

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all financial assets held at amortised cost. ECLs are based on the difference between the 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 will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Derecognition

Financial assets

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

Financial liabilities

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

Trade and other receivables

Trade and other receivables are classified as financial assets subsequently measured at amortised cost (refer to note 6).

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

The company uses an allowance account to recognise its credit losses on trade and other receivables. It applies the simplified approach of recognising lifetime ECLs for the trade receivables. The company applied a practical expedient in measuring the expected credit loss on non-credit impaired trade receivables, using a provision matrix in determining the impairment loss. This matrix uses the historical credit loss, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current and forecast conditions at the reporting date.

The company considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:
- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganisation.

The loss allowance on credit impaired trade receivables is measured at the present value of all cash shortfalls.

1.5 Financial instruments (continued)

The company will write off the underlying financial asset when there is an indication that the customer is in financial difficulty or business rescue and management has assessed that the customer is not in a financial position to pay the outstanding debt. Trade receivables written off for accounting purposes may still be subject to the company's internal recovery procedures, with the assistance of legal counsel. Any recoveries made once the debt has been written off will be recognised as other income in the statement of profit or loss and other comprehensive income.

Loans payable

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

- Loan from group company (note 9); and
- Loans from shareholders (note 10).

Trade and other payables

Trade and other payables are classified as financial liabilities subsequently measured at amortised cost (refer to note 11).

Cash and cash equivalents

Cash and cash equivalents are classified as financial assets initially measured at fair value and subsequently measured at amortised cost. Cash and cash equivalents comprise cash held at the bank.

1.6 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.

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.7 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.

1.4 Financial instruments (continued)

Deferred tax assets and liabilities

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period.

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

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

1.8 Leases

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

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

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

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The company did not recognise any right of use assets or lease liabilities as they only have short term leases.

1.9 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.

1.10 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when income is recognised. Under IFRS 15, income is recognised at an amount that reflects the consideration to which an entity expects to be entitled for transferring goods or services to a customer. 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 income when it transfers control over a product or services to a customer.

The company recognises revenue from the following major sources:

- Sale of pharmaceutical products

Sale of pharmaceutical products

For sales of goods, revenue is recognised when control of the goods has transferred, being when the goods have been provided to the customer. A receivable is recognised by the company when the goods are provided to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

1.11 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.

1.12 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.

1.13 Translation of foreign currencies

Foreign currency transactions

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

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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.

1.14 Borrowing costs

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

1.15 Related parties

Individuals or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. The directors of the company are considered to be key management and consequently as related parties. Related party transactions and balances are disclosed in note 20.

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:
• IAS 1 Presentation of Financial Statements: Disclosure initiative	01 January 2020	The impact of the standard is not material.
• IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	The impact of the standard 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 2021 or later periods:

Standard / Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	The impact is expected to be immaterial
• Business combinations - Reference to the Conceptual Framework: Amendment to IFRS 3	01 January 2023	No impact expected
• Fees in the '10 percent' test for derecognition of financial liabilities: Amendment to IFRS 9	01 January 2022	No impact expected
• Property, Plant and Equipment: Proceeds before Intended Use: Amendment to IAS 16	01 January 2022	The impact is expected to be immaterial
• Onerous Contracts - Cost of Fulfilling a Contract: Amendment to IAS 37	01 January 2022	No impact expected
• Definition of accounting estimates: Amendment to IAS 8	01 January 2023	The impact is expected to be immaterial
• Deferred tax related to assets and liabilities arising from a single transaction: Amendment to IAS 12	01 January 2023	The impact is expected to be immaterial

Figures in Rand	2021	2020

3. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	449,988	(129,456)	320,532	359,094	(56,155)	302,939
Licensed dossiers	11,010,445	(201,479)	10,808,966	10,359,756	(10,618)	10,349,138
Total	**11,460,433**	**(330,935)**	**11,129,498**	**10,718,850**	**(66,773)**	**10,652,077**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Disposals	Amortisation	Closing balance
Computer software	302,939	90,894	-	(73,301)	320,532
Licensed dossiers	10,349,138	875,452	(224,763)	(190,861)	10,808,966
	10,652,077	**966,346**	**(224,763)**	**(264,162)**	**11,129,498**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Closing balance
Computer software	-	359,094	(56,155)	302,939
Licensed dossiers	5,807,616	4,552,140	(10,618)	10,349,138
	5,807,616	**4,911,234**	**(66,773)**	**10,652,077**

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 company has registered all these dossiers with SAHPRA (The South African Health Products Regulation Authority) during the current financial year.

4. Deferred tax

Deferred tax liability

	2021	2020
Prepayments	(65,269)	-

Deferred tax asset

	2021	2020
Accrual for bonus	16,892	10,508
Accrual for leave pay	29,078	27,006
Accrual for audit fees	25,760	25,760
Pre-trade expenditure (11A) available for set off against future taxable income	1,018,604	1,018,604
Assessed loss	2,460,082	1,317,454
Total deferred tax asset	**3,550,416**	**2,399,332**

Figures in Rand	2021	2020

4. Deferred tax (continued)

The deferred tax asset and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax liability	(65,269)	-
Deferred tax asset	3,550,416	2,399,332
Total net deferred tax asset	**3,485,147**	**2,399,332**

5. Inventories

Finished goods	6,106,274	-

6. Trade and other receivables

Financial instruments:		
Trade receivables	1,517,355	-
Non-financial instruments:		
Prepayments	233,104	17,837
Value Added Taxation	61,542	37,908
Total trade and other receivables	**1,812,001**	**55,745**

Categorisation of trade and other receivables

At amortised cost	1,517,355	-
Non-financial instruments	294,646	55,745
	1,812,001	**55,745**

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.

The company has no historical credit losses and has only dealt with a small number of customers with excellent credit ratings. Accordingly, no provision for expected credit losses was recognised.

Figures in Rand	2021	2020

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	427,473	61,369

Credit quality of cash and cash equivalents

The company only deposits cash and cash equivalents with reputable financial institutions with a high credit rating.

8. Share capital

Authorised		
1,000 Ordinary shares of no par value	1,000	1,000
Issued		
120 Ordinary shares no par value	9,267,741	9,267,741

9. Loan from group company

The Vaccine Bureau Proprietary Limited	1,642,851	1,642,851

The loan is unsecured, bears interest at the prime interest rate of South Africa (2020: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months.

Split between non-current and current portions

Non-current liabilities	1,642,851	1,642,851

10. Loans from shareholders

Strides Pharma (Cyprus) Limited	5,392,150	2,052,218

The loan is unsecured, bears interest at the prime interest rate of South Africa of 7% (2020: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.

Figures in Rand	2021	2020

10. Loans from shareholders (continued)

Juno Pharma South Africa Proprietary Limited	1,971,071	83,216
The loan is unsecured, bears interest at the prime interest rate of South Africa of 7% (2020: prime interest rate) and shall be repaid within two years from the disbursement of each tranche date and can be extended by both the parties on mutually agreeable terms. The loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.		
Juno Pharma South Africa Proprietary Limited	1,157,333	1,157,333
The loan is unsecured, interest free (2020: interest free) and repayable on demand. Juno Pharma South Africa Proprietary Limited has confirmed that the loan will not be called upon within the next 12 months. Strides Pharma (Cyprus) Limited has signed a letter of support whereby it agrees to provide financial support to the company should it be necessary.		
	8,520,554	**3,292,767**

Split between non-current and current portions

Non-current liabilities	8,520,554	3,292,767

Refer to note 18 Changes in liabilities arising from financing activities for details of the movement in loans from shareholders during the reporting period.

11. Trade and other payables

Financial instruments:		
Trade payables	12,174,634	4,851,847
Non-financial instruments:		
Audit fee accrual	92,000	92,000
Payroll accruals	308,960	249,815
	12,575,594	**5,193,662**

Figures in Rand	2021	2020

12. Revenue

Revenue from contracts with customers		
Sale of goods	3,563,264	1,199,513

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Timing of revenue recognition

At a point in time		
Sale of goods	3,563,264	1,199,513

13. Cost of sales

Marketing fees	2,742,462	-
Sale of goods	708,313	1,103,634
	3,450,775	**1,103,634**

14. Other operating gains (losses)

Foreign exchange gains (losses)		
Net foreign exchange gains (losses)	675,159	(1,007,836)

15. Operating loss

Operating loss for the year is stated after accounting for the following:

Employee costs		
Salaries, wages, bonuses and other benefits	2,154,699	1,916,520
Salaries recharged by group companies	892,027	757,424
Total employee costs	**3,046,726**	**2,673,944**

Leases

Operating lease charges		
Premises	67,926	75,701
Amortisation		
Amortisation of intangible assets	264,162	66,773
Other expenses		
Consulting fees	430,288	486,632
Conference and licence fees	265,006	42,707

Figures in Rand	2021	2020

16. Taxation

Major components of the tax income

	2021	2020
Deferred		
Originating and reversing temporary differences	(1,085,815)	(1,344,559)

Reconciliation of the tax income

Reconciliation between accounting profit and tax income.

	2021	2020
Accounting loss	(3,903,664)	(4,842,246)
Tax at the applicable tax rate of 28% (2020: 28%)	(1,093,026)	(1,355,829)
Tax effect of adjustments on taxable income		
Disallowable charges	7,211	14,249
Prior period adjustment - deferred tax	-	(2,979)
	(1,085,815)	**(1,344,559)**

No provision has been made for 2021 tax as the company has no taxable income. The estimated loss available to set-off against future taxable income is R 8,786,011 (2020: R 4,705,193) and pre-trade expenditure (11A) is R 3,637,871 (2020: pre-trade expenditure (11A) amounted to R 3,637,871).

17. Cash (used in) generated from operations

	2021	2020
Loss before taxation	(3,903,664)	(4,842,246)
Adjustments for:		
Amortisation	264,162	66,773
Finance costs	452,590	55,003
Changes in working capital:		
Inventories	(6,106,274)	-
Trade and other receivables	(1,756,256)	33,726
Trade and other payables	7,381,932	4,744,169
	(3,667,510)	**57,425**

18. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Cash receipts	Interest capitalised	Closing balance
Loans from shareholders	3,292,767	4,775,197	452,590	8,520,554
Loan from group company	1,642,851	-	-	1,642,851
Total liabilities from financing activities	**4,935,618**	**4,775,197**	**452,590**	**10,163,405**

Figures in Rand	2021	2020

18. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Cash receipts	Interest capitalised	Cash payments	Loan re - allocations	Closing balance
Borrowings	12,413	-	-	(12,413)	-	-
Loans from shareholders	1,202,758	2,021,913	55,003	-	13,093	3,292,767
Loan from group company	545,681	1,097,170	-	-	-	1,642,851
Total liabilities from financing activities	**1,760,852**	**3,119,083**	**55,003**	**(12,413)**	**13,093**	**4,935,618**

19. Directors' emoluments

No emoluments were paid to the directors or any individuals holding a prescribed office during the current.

20. 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 K2 Medical Proprietary Limited The Vaccine Bureau Proprietary Limited Westrade Trade and Invest Proprietary Limited Kahma Biotech Proprietary Limited Strides Pharma Global PTE Limited Trinity Pharma Proprietary Limited Strides Pharma Science Limited

Related party balances

	2021	2020
Loan accounts - Owing to related parties		
The Vaccine Bureau Proprietary Limited	1,642,851	1,642,851
Strides Pharma (Cyprus) Limited	5,392,150	2,052,218
Juno Pharma South Africa Proprietary Limited	3,128,404	1,240,549
Amounts included in trade payables regarding related parties		
K2 Medical Proprietary Limited	68,597	139,505
Westrade Trade and Invest Proprietary Limited	1,551	590
The Vaccine Bureau Proprietary Limited	-	10,485
Trinity Pharma Proprietary Limited	1,097,836	97,699
Strides Pharma Global PTE Limited	722,537	232,113
Strides Pharma Science Limited	6,196,260	-
Amounts included in trade receivables regarding related party		
Trinity Pharma Proprietary Limited	1,517,355	-

Figures in Rand	2021	2020

20. Related parties (continued)

Related party transactions

Rent paid to related party		
K2 Medical Proprietary Limited	67,926	75,701
Recoveries paid (salaries) to related parties		
K2 Medical Proprietary Limited	370,947	253,066
The Vaccine Bureau Proprietary Limited	42,073	243,578
Trinity Pharma Proprietary Limited	398,149	273,270
Recoveries paid (expenses) to related parties		
K2 Medical Proprietary Limited	67,100	183,899
Kahma Biotech Proprietary Limited	16,842	19,352
Westrate Trade and Invest Proprietary Limited	12,909	9,537
Trinity Pharma Proprietary Limited	17,405	204,176
On-charges received from related parties		
Trinity Pharma Proprietary Limited	44,274	-
The Vaccine Burea Proprietary Limited	4,489	-
Sales to related party		
Trinity Pharma Proprietary Limited	-	918,767
Purchases from related parties		
Strides Pharma Science Limited	6,063,985	-
Strides Pharma Global PTE Limited	382,024	-
Trinity Pharma Proprietary Limited	-	1,199,513
Interest accrued to related parties		
Juno Pharma South Africa Proprietary Limited	183,158	-
Strides Pharma (Cyprus) Limited	269,432	-

21. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Notes	Amortised cost	Total
Trade and other receivables	6	1,517,355	1,517,355
Cash and cash equivalents	7	427,473	427,473
		1,944,828	**1,944,828**

2020

	Notes	Amortised cost	Total
Cash and cash equivalents	7	61,369	61,369

Categories of financial liabilities

2021

	Notes	Amortised cost	Total
Trade and other payables	11	12,174,634	12,174,634
Loan from group company	9	1,642,851	1,642,851
Loans from shareholders	10	8,520,554	8,520,554
		22,338,039	**22,338,039**

2020

	Notes	Amortised cost	Total
Trade and other payables	11	4,851,847	4,851,847
Loan from group company	9	1,642,851	1,642,851
Loans from shareholders	10	3,292,767	3,292,767
		9,787,465	**9,787,465**

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 9, the loans from shareholders disclosed in note 10, cash and cash equivalents disclosed in note 7, share capital disclosed in note 8 and accumulated loss disclosed in the statement of changes in equity.

21. Financial instruments and risk management (continued)

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.

There were no externally imposed capital requirements at the reporting date.

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;
- Liquidity risk;
- Foreign currency risk; and
- Interest rate 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 of cash and cash equivalents and trade receivables.

Customer credit risk is managed subject to the company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at each reporting date on an individual basis.

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

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

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

Figures in Rand

21. Financial instruments and risk management (continued)

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	6	1,517,355	-	1,517,355	-	-	-
Cash and cash equivalents	7	427,473	-	427,473	61,369	-	61,369
		1,944,828	**-**	**1,944,828**	**61,369**	**-**	**61,369**

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.

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

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2021

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Loans from shareholders	10	-	9,587,485	9,587,485
Current liabilities				
Loan from group company	9	1,642,851	-	1,642,851
Trade and other payables	11	12,174,633	-	12,174,633
		13,817,484	**9,587,485**	**23,404,969**

21. Financial instruments and risk management (continued)

2020

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Loan from group company	9	-	1,642,851	1,642,851
Loans from shareholders	10	-	3,602,191	3,602,191
Current liabilities				
Trade and other payables	11	4,851,847	-	4,851,847
		4,851,847	**5,245,042**	**10,096,889**

Foreign currency risk

The company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised liabilities. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. No forward exchange contracts were entered into at the period end.

At 31 March 2021, if the currency had weakened/strengthened by 10% against the US dollar, with all other variables held constant, post-tax profit for the year would have been R 769,739 (2020: R 328,271) lower/higher, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade and other payables.

Exposure in Rand

The carrying amounts, in Rand, of the foreign exposure, are denominated in the following currency. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

US Dollar exposure:

Current liabilities:			
Trade and other payables USD 713,197 (2020: USD 252,874)	11	10,690,820	4,559,313

Exchange rate

Rand per unit of foreign currency:		
US Dollar	14.990	18.0300

21. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in interest rates.

The company's significant interest-bearing assets and liabilities, which expose the company to changes in market interest rate, are cash and cash equivalents, loans from shareholders and loan from group company.

The company's cash and cash equivalents are reviewed on a sufficiently regular basis to ensure that the best possible return is being obtained.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

At 31 March 2021, if interest rates on Rand-denominated cash and cash equivalents, loan from group company and loans from shareholders had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been R 61,766 (2020: R 26,762) lower/higher.

22. Events after the reporting period

Subsequent to the financial year-end, the entity obtained an R6 million facility from Investec Bank Limited through Trinity Pharma Proprietary Limited. The facility is for a period of six months, of which the following securities were granted

- Cession of debtors; and
- Guarantees issued in favour of Investec Bank Limited.

Other than the above, 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.

23. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future, including specific consideration of the risk associated with COVID-19. 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 have been registered and launched for a number of products. Significant sales relating to these products are expected in the next few 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.

24. COVID-19 implication

The spread of the COVID-19 virus has not had a negative impact on the revenue and profits generated by the entity. Revenue has increased during the current year, despite the spread of the virus, while the losses incurred decreased year on year.

The spread of the virus, however, resulted in a backlog resubmission program for the approval of dossiers being moved out by a month when the country went into a hard lockdown. This had the implication that the turnaround time from manufactures in terms of the information required for dossier submissions was significantly delayed.

Additionally, the crash in the currencies at the start of the pandemic had a direct impact on the company's margins as all products are purchased in USD. The shortages of freight containers worldwide also led to delay in product launches and increased freight costs.

The uptake in one of the dossiers was much slower than anticipated as the market was overstocked with another dossier to be used in COVID-19 treatment.

The global picture remains uncertain and is evolving rapidly. At this stage, it is difficult to measure the consequences on the business activity. Management has considered the current cash position, and forecasts have been adjusted accordingly to take into account expected COVID-19 implications.

The situation is being monitored continuously and measures have been put in place to curb the spread of the virus.

Detailed Income Statement

Figures in Rand	Notes	2021	2020
Revenue	12	3,563,264	1,199,513
Cost of sales	13	(3,450,775)	(1,103,634)
Gross profit		112,489	95,879
Other operating gains (losses)			
Foreign exchange gains (losses)		675,159	(1,007,836)
Other operating expenses			
Advertising		(363)	-
Amortisation		(264,162)	(66,773)
Audit fees		-	(100,250)
Bank charges		(10,994)	(15,908)
Computer expenses		(23,171)	(9,887)
Consulting fees		(430,288)	(486,632)
Employee costs		(3,046,726)	(2,673,944)
Entertainment		-	(680)
Conference and licence fees		(265,006)	(42,707)
Recruitment expenses		-	(39,815)
Office expenses		(804)	(7,529)
General supplies		(6,879)	(76,937)
Insurance		(42,055)	(27,686)
Lease rentals on operating lease		(67,926)	(75,701)
Motor vehicle expenses		-	(2,232)
Municipal expenses		(5,313)	(1,765)
Packaging		-	(14,564)
Printing and stationery		(4,635)	(767)
Professional fees		-	(90,121)
Repairs and maintenance		-	(3,089)
Service level agreement		(26,324)	(14,885)
Staff welfare		-	(15,594)
Subscription fees		(20,838)	(2,455)
Telephone and fax		(13,429)	(2,713)
Training and development		439	(54,805)
Travel - local		(10,248)	(14,357)
Travel - overseas		-	(33,490)
		(4,238,722)	**(3,875,286)**
Operating loss	15	**(3,451,074)**	**(4,787,243)**
Finance costs		(452,590)	(55,003)
Loss before taxation		**(3,903,664)**	**(4,842,246)**
Taxation	16	1,085,815	1,344,559
Loss for the period		**(2,817,849)**	**(3,497,687)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Strides Pharma (SA) Proprietary Limited 2021 Draft F3 (21.12.21)

Final Audit Report 2022-01-07

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