GLENMARK PHARMACEUTICALS SOUTH AFRICA PROPRIETARY LIMITED
(Registration number 2001/020429/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

These annual financial statements were prepared by:
AF Naberman CA(SA)
These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Issued 23 May 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The manufacturing and distribution of pharmaceutical products
Directors	S Dasgusta Dr. A Chopra
Registered office	Second floor Block D 8 Greenstone Rd Modderfontein Edenvale 1609
Business address	Second floor Block D 8 Greenstone Rd Modderfontein Edenvale 1609
Postal address	PO Box 5537 Halfway House 1685
Holding company	Glenmark South Africa Proprietary Limited incorporated in South Africa
Ultimate holding company	Glenmark Pharmaceuticals Limited incorporated in India
Bankers	Standard Bank Limited
Auditors	Mazars
Company registration number	2001/020429/07
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: AF Naberman CA(SA)
Issued	23 May 2022

Index

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

	Page
Directors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 6
Directors' Report	7 - 8
Practitioner's Compilation Report	9
Statement of Financial Position	10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Annual Financial Statements	25 - 39

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

Detailed Income Statement	40 - 41

Glenmark Pharmaceuticals South Africa Proprietary Limited
(Registration number 2001/020429/07)
Annual Financial Statements for the year ended 31 March 2022
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 and the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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 have reviewed the company's cash flow forecast for the year to 31 March 2023 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 6.

The annual financial statements set out on pages 7 to 39, which have been prepared on the going concern basis, were approved by the directors on 23 May 2022 and were signed on their behalf by :

Approval of financial statements

Erasmus Forum A
434 Rigel Avenue South
Erasmusrand, Pretoria, 0181
Private Bag X17, Brooklyn Square, 0075

Tel: +27 12 347 3820
Fax: +27 12 347 3737
Email: pta@mazars.co.za
www.mazars.co.za

Independent Auditor's Report

To the Shareholder of Glenmark Pharmaceuticals South Africa Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Glenmark Pharmaceuticals South Africa Proprietary Limited set out on pages 10 to 39, which comprise the statement of financial position as at 31 March 2022, 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 Glenmark Pharmaceuticals South Africa Proprietary Limited as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 COVID-19 on the Financial Statements

In forming our opinion on the company financial statements, which is not modified, we draw attention to the directors' view of the impact on COVID-19 as disclosed in paragraph 10 of the Directors Report. Whilst the situation is still evolving the directors have reviewed the entity's cash flow forecast for the period to 31 March 2023 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 "Glenmark Pharmaceuticals South Africa Proprietary Limited Annual Financial Statements for the year ended 31 March 2022", which includes the Directors' Report as required by the Companies Act of South Africa and Detailed Income Statement. The other information does not include the financial statements and our auditor's report 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
Partner: Johan Eloff
Registered Auditor
23 May 2022
Pretoria

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Glenmark Pharmaceuticals South Africa Proprietary Limited for the year ended 31 March 2022.

1. Incorporation

The company was incorporated on 28 August 2001 and obtained its certificate to commence business on the same day.

2. Nature of business

Glenmark Pharmaceuticals South Africa Proprietary Limited was incorporated in South Africa and is engaged in the manufacturing and distribution of pharmaceutical products. The company operates in South Africa.

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

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year, apart from the application of new standards and interpretations.

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

4. Share capital

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

5. Dividends

No dividends were declared or paid to the shareholder during the year under review.

6. Directorate

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

Directors	Nationality	Changes
S Dasgusta	Indian	Appointed 15 April 2021
Dr. A Chopra	Indian	Appointed 15 April 2021
SS Vasudevan	Indian	Resigned 15 April 2021
KA Hazari	Indian	Resigned 15 April 2021

7. Property, plant and equipment

There was no change in the nature of the property, plant and equipment of the company or in the policy regarding their use.

8. Holding company

The company's holding company is Glenmark South Africa Proprietary Limited which holds 100% (2021: 100%) of the company's equity. Glenmark South Africa Proprietary Limited is incorporated in South Africa.

9. Ultimate holding company

The company's ultimate holding company is Glenmark Pharmaceuticals Limited which is incorporated in India.

10. Impact of COVID-19 pandemic

Glenmark Pharmaceuticals South Africa (Pty) Ltd was classified as an essential service provider and continued trading throughout the lockdown regulations imposed by the South African government. Even though the pandemic adversely impacted the sale of certain product lines, the company managed to record a profit for both 2021 and 2022 financial periods.

11. Events after the reporting period

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

12. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The directors 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.

The directors have reviewed forecasts until March 2023, taking into account the effect of the COVID-19 pandemic, they are confident that the company has access to sufficient borrowing facilities with its ultimate holding company to meet its foreseeable cash requirements. Forecasts will be closely monitored and updated as more information is known on the effect of the pandemic on the company, its suppliers and customers.

13. Auditors

Mazars continued in office as auditors for the company for 2022.

Building relationships
Creating value
VIRTUAL CFO

Practitioner's Compilation Report

To the shareholder of Glenmark Pharmaceuticals South Africa Proprietary Limited

I have compiled the annual financial statements of Glenmark Pharmaceuticals South Africa Proprietary Limited, as set out on pages 10 - 39, based on the information you have provided. These financial statements comprise the statement of financial position of Glenmark Pharmaceuticals South Africa Proprietary Limited as at 31 March 2022, 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 a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with International Financial Reporting Standards.

AF Naberman CA(SA)
23 May 2022

Glenmark Pharmaceuticals South Africa Proprietary Limited
(Registration number 2001/020429/07)
Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

Figures in Rand	Notes	2022	2021
Assets			
Current Assets			
Inventories	3	30,027,898	27,124,888
Trade and other receivables	4	70,530,210	31,732,231
Cash and cash equivalents	5	18,826,796	57,655,219
		119,384,904	**116,512,338**
Non-Current Assets			
Property, plant and equipment	6	233,861	218,086
Intangible assets	7	8,996,794	8,500,000
Right-of-use asset	8	5,822,961	560,469
Deferred tax	9	13,008,894	21,806,442
		28,062,510	**31,084,997**
Total Assets		**147,447,414**	**147,597,335**
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	10	81,959,849	110,211,789
Lease liabilities	11	693,765	675,120
		82,653,614	**110,886,909**
Non-Current Liabilities			
Lease liabilities	11	5,545,683	-
Total Liabilities		**88,199,297**	**110,886,909**
Equity			
Share capital	12	4,800,400	4,800,400
Reserves	13	94,500,000	94,500,000
Retained income		(40,052,283)	(62,589,974)
		59,248,117	**36,710,426**
Total Equity and Liabilities		**147,447,414**	**147,597,335**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2022	2021
Revenue	14	203,023,522	123,586,750
Cost of sales	15	(96,225,634)	(63,331,494)
Gross profit		**106,797,888**	**60,255,256**
Other operating gains	16	2,594,618	13,904,308
Other operating expenses		(77,842,379)	(58,460,081)
Operating profit (loss)	17	**31,550,127**	**15,699,483**
Investment income	18	150,340	669,779
Finance costs	19	(365,228)	(99,165)
Profit (loss) before taxation		**31,335,239**	**16,270,097**
Taxation	20	(8,797,548)	(4,492,273)
Profit (loss) for the year		**22,537,691**	**11,777,824**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**22,537,691**	**11,777,824**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Loan from parent	Retained income	Total equity
Balance at 01 April 2020	**500**	**4,799,900**	**4,800,400**	**94,500,000**	**(74,367,798)**	**24,932,602**
Profit for the year	-	-	-	-	11,777,824	11,777,824
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**11,777,824**	**11,777,824**
Balance at 01 April 2021	**500**	**4,799,900**	**4,800,400**	**94,500,000**	**(62,589,974)**	**36,710,426**
Profit for the year	-	-	-	-	22,537,691	22,537,691
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**22,537,691**	**22,537,691**
Balance at 31 March 2022	**500**	**4,799,900**	**4,800,400**	**94,500,000**	**(40,052,283)**	**59,248,117**
Notes	12	12	12	13		

Statement of Cash Flows

Figures in Rand	Notes	2022	2021
Cash flows from operating activities			
Cash (used in)/generated from operations	21	(37,689,786)	29,439,141
Interest income		150,340	669,779
Finance costs		-	-
Net cash from operating activities		**(37,539,446)**	**30,108,920**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(112,147)	(122,813)
Sale of property, plant and equipment	6	16,348	-
Purchase of other intangible assets	7	(496,794)	-
Net cash from investing activities		**(592,593)**	**(122,813)**
Cash flows from financing activities			
Lease liability payments		(696,384)	(777,340)
Total cash movement for the year		**(38,828,423)**	**29,208,767**
Cash at the beginning of the year		57,655,219	28,446,452
Total cash at end of the year	5	**18,826,796**	**57,655,219**

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 of South Africa, as amended.

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, apart from the application of new standards and interpretations.

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 financial statements.

Key sources of estimation uncertainty

Impairment of financial assets

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

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, indefinite useful life intangible assets are tetsed on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have ococcured, estimates of expected future cash flows are prepared for each group of assets. Expected future cash flows used to determine the value-in-use of intangible assets are inherently uncertain and could materially change over time.

Taxation

Judegement 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. 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. 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 flowss 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 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

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

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

1.3 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Furniture and fittings	Straight line	5 years
Office equipment	Straight line	5 years
Computer software	Straight line	5 years

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

The depreciation charge for each year is recognised in profit or loss.

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

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

1.4 Intangible assets

An intangible asset is recognised when:

- 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 asset acquired seperately are measured on initial recognition at cost and following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment.

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

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

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

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

1.4 Intangible assets (continued)

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

Gains and losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss on derecognition.

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

Item	**Useful life**
Intellectual property rights purchased (Covarex)	Indefinite
Intellectual property rights purchased (Methylprednisolone)	Indefinite

1.5 Financial instruments

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

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

Financial assets which are debt instruments:
- Amortised cost.

Financial liabilities:
- Amortised cost

Note 24 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

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

1.5 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 4).

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

Recognition and measurement

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

They are subsequently measured at amortised cost.

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

Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating gains (note 16).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other receivables (note 4).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

1.5 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 10), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

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

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 24 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (note 16).

Details of foreign currency risk exposure and the management thereof are provided in the trade and other payables note (note 10).

Cash and cash equivalents

Cash refers to cash on hand and demand deposits with banks and other financial institutions.

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are stated at carrying amount which is deemed amortised cost.

Cash and cash equivalents expose the company to credit risk. Refer to note 24 for details of risk exposure and management thereof.

1.5 Financial instruments (continued)

Derecognition

Financial assets

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

Financial liabilities

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

1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

A deferred tax asset is recognised for the carry forward of unused tax losses and/or unurtilised capital allowances to the extent that it is probable that future taxable profit will be available against which the unused tax losses and/or unutilised capital allowances can be utilised. Deferred tax assets are reviewed at each reporting date and are adjusted if recovery is no longer probable.

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.

1.6 Tax (continued)

Tax expenses

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

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

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

1.7 Leases

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

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

To assess whether a contract conveys the right to control the use of an identified asset, the entity should assess whether:

- The contract involves the use of an identified asset.
- The right to obtain all the economic benefits from the use of the asset throughout the period of use; and
- The entity has the right to direct the use of the asset. The entity has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

Lessee

A lease liability and corresponding right-of-use assets are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expenses (note 17) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability

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

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

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

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

1.7 Leases (continued)

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct cost.

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

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

The depreciation charge for each year is recognised in profit or loss.

1.8 Inventories

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

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.

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

1.9 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.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

1.9 Impairment of non-financial assets (continued)

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

1.10 Share capital and equity

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

Ordinary shares are classified as equity.

Loans from the parent company which are repayable at the discretion of the subsidiary are classified as equity.

1.11 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as the related service is rendered.

1.12 Revenue from contracts with customers

The company recognises revenue from the following conditions major sources::

- Sale of goods- pharmaceutical products.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Consideration payable to a customer is treated as a reduction in revenue unless the payment to a customer is in exchange for a distinct goods or service. Logistic fees, advertising and marketing allowances and other related allowances payable to customers are offset against revenue. The company recognises revenue when it transfers control of a product or service to a customer.

Sale of goods - pharmaceutical products

The company sells pharmaceutical products to leading wholesale and retail pharmacies in South Africa.

Revenue is recognised when the control of the goods are transferred, being at the point where the customer takes possession of the pharmaceutical products.

Interest is recognised in profit and loss, using the effective interest method.

1.13 Cost of sales

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

1.14 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.

1.15 Related parties

A related party is related to an entity if any of the following situations apply to it:

- Individual control - The party is controlled or significantly influenced by a member of key management personnel a person who controls the entity.
- Key management - The party is a member of an entity or it's parent's key management personnel.

Figures in Rand	2022	2021

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

There were no new standards nor amendments to standards and interpretations applicable for the first time during the year under review which had a material impact on the financial statements.

2.2 Standards and interpretations not yet effective

There are no new standards and interpretations not yet effective that will have a material effect on the entity.

3. Inventories

Pharmaceutical products	30,027,898	27,124,888

4. Trade and other receivables

Financial instruments:		
Trade receivables	67,867,063	30,883,089
Deposits	234,738	239,701
Non-financial instruments:		
VAT	-	609,441
Prepayments	2,428,409	-
Total trade and other receivables	**70,530,210**	**31,732,231**

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.

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

The company only deals with a relatively small number of large enterprises that have never defaulted on payments. Forward looking information does not provide any indications that this will change. Accordingly no provision for expected credit losses were recognised.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand Amount		
Rand	67,867,063	30,871,346
US Dollar	-	11,743
	67,867,063	**30,883,089**

Foreign currency amount		
US Dollar	-	790

Figures in Rand	2022	2021

4. Trade and other receivables (continued)

Rand per unit of foreign currency:		
US Dollar	-	14.864

Figures in Rand	2022	2021

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	18,826,796	57,655,219

All the company's bank balances are denominated in South African Rand.

6. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	95,428	(94,586)	842	95,428	(93,108)	2,320
Office equipment	581,814	(348,795)	233,019	486,014	(270,953)	215,061
Computer software	23,836	(23,836)	-	23,836	(23,131)	705
Total	**701,078**	**(467,217)**	**233,861**	**605,278**	**(387,192)**	**218,086**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	2,320	-	-	(1,478)	842
Office equipment	215,061	112,147	(16,348)	(77,841)	233,019
Computer software	705	-	-	(705)	-
	218,086	**112,147**	**(16,348)**	**(80,024)**	**233,861**

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	16,408	-	(14,088)	2,320
Office equipment	176,385	122,813	(84,137)	215,061
Computer software	5,472	-	(4,767)	705
	198,265	**122,813**	**(102,992)**	**218,086**

Figures in Rand	2022	2021

7. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Intellectual Property rights purchased (Methylprednisolone)	496,794	-	496,794	-	-	-
Intellectual property rights purchased (Covarex)	8,500,000	-	8,500,000	8,500,000	-	8,500,000
Total	**8,996,794**	**-**	**8,996,794**	**8,500,000**	**-**	**8,500,000**

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Total
Intellectual Property rights purchased (Methylprednisolone)	-	496,794	496,794
Intellectual Property rights purchased (Covarex)	8,500,000	-	8,500,000
	8,500,000	**496,794**	**8,996,794**

Reconciliation of intangible assets - 2021

	Opening balance	Total
Intellectual property rights purchased (Covarex)	8,500,000	8,500,000

Impairment testing for indefinite usefull life intangible assets.

The useful life of the product development cost (Covarex and Methylprednisolone) is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the company.

An impairment assessment is performed on indefinite useful life intangible assets annually, or more frequently if there are indicators tat the balance might be impaired. Finite usefull life intangible assets are reviewed annually, but only assessed for impairment when there are indicators that the balance might be impaired. Impairement testing is performed by comparing the recoverable amount to the carrying value of the intangible asset.

The recoverable amount of cash generating units are determined as the higher of value in use and fair value less costs to sell.

Figures in Rand	2022	2021

7. Intangible assets (continued)

Value in use:

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management. The estimated future cash flows and discount rates are pre-tax based on assessment of the current risks applicable to the specific asset and/or entity and country in which it operates or the product is sold.

Management determines the expected performance of the assets based on the following:
- an assessment of products in question against existing market conditions taking into account past performance.

Key assumptions on the impairment test for indefinite usefull life assets were as follow:

Product	Carrying value	Period covered by forecast	Average growth in turnover	Pre-tax discount rate applied to cash flows (% per annum)
Covarex	8,500,000	4 years	6%	21%

Cash flows were projected based on actual operating results and forecats as listed above.

A sensitivity analysis has been performed adjusting the growth rate by 1%. This analysis did not result in any material impact on the valuation of the product development cost (Covarex).

8. Right-of-use asset

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Right-of-use asset	6,289,276	(466,315)	5,822,961	1,899,377	(1,338,898)	560,469

The right of use asset relates to the lease of an office building. The lease term is 10 years (2021: 5 years).

Reconciliation of right-of-use assets - 2022	Opening balance	Additions	Depreciation	Disposals	Total
Right-of-use asset	560,469	6,289,276	(632,990)	(393,794)	5,822,961

Reconciliation of right-of-use assets - 2021	Opening balance	Additions	Depreciation	Total
Right-of-use asset	1,229,002	-	(668,533)	560,469

Figures in Rand	2022	2021

9. Deferred tax

Deferred tax liabilities

IFRS 16 Right-of-use asset	(1,630,429)	(156,932)

Deferred tax asset

Temporary differences on leave pay provision	285,098	265,321
IFRS 16 Lease liability	1,747,045	189,034
Deferred tax balance from temporary differences other than unused tax losses	2,032,143	454,355
Tax losses available for set off against future taxable income	12,607,180	21,509,019
	14,639,323	21,963,374
Total deferred tax asset	**14,639,323**	**21,963,374**

Recognition of deferred tax asset

The deferred tax asset originates from the temporary differences and deferred tax on the estimated taxable loss from the previous years. There is no expiry date on the assessed tax losses. The entity expects to utilise the assessed loss against future taxable earnings.

Deferred tax liability	(1,630,429)	(156,932)
Deferred tax asset	14,639,323	21,963,374
Total net deferred tax asset	**13,008,894**	**21,806,442**

10. Trade and other payables

Financial instruments:		
Trade payables	78,688,371	108,475,808
Accrued expenses	1,088,213	1,078,000
Non-financial instruments:		
Payroll liabilities	735,544	657,981
VAT	1,447,721	-
	81,959,849	**110,211,789**

Figures in Rand	2022	2021

10. Trade and other payables (continued)

Exposure to currency risk

The company is exposed to currency risk related to trade payables because certain wholesale transactions are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The currency in which the company deals primarily is US Dollars.

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

The net carrying amounts, in Rand, of trade and other payables, excluding non-financial instruments, are denominated in the following currency.

Rand Amount		
Rand	16,919,131	10,180,577
US Dollar	63,451,152	99,359,259
New Zealand Dollar	655,348	671,953
Euro	934,218	-
	81,959,849	**110,211,789**

The net carrying amounts, in foreign currency of the above exposure was as follows:

Foreign currency amount		
US Dollar	4,357,785	6,690,947
New Zealand Dollar	64,800	64,600
Euro	73,894	-

The following closing exchange rates were applied to translate trade payables at reporting date:

Rand per unit of foreign currency:		
US Dollar	14.560	14.830
New Zealand Dollar	10.113	10.370
Euro	16.182	-

11. Lease liabilities

Minimum lease payments due		
- within one year	713,694	700,880
- in second to fifth year inclusive	2,421,325	-
- later than five years	5,708,776	-
	8,843,795	700,880
less: future finance charges	(2,604,347)	(25,760)
Present value of minimum lease payments	**6,239,448**	**675,120**

Non-current liabilities	5,545,683	-
Current liabilities	693,765	675,120
	6,239,448	**675,120**

Figures in Rand	2022	2021

12. Share capital

Authorised		
1,000 Ordinary shares of R1 each	1,000	1,000
Issued		
500 Ordinary shares of R1 each	500	500
Share premium	4,799,900	4,799,900
	4,800,400	**4,800,400**

13. Loan from parent

Glenmark South Africa Proprietary Limited	94,500,000	94,500,000

The loan is unsecured, bears no interest and is repayable at the discretion of the subsidiary.

14. Revenue

Revenue from contracts with customers		
Sale of goods - pharmaceutical products	358,868,620	194,070,390
Amounts payable to customer - distribution fees, logistic fees and other allowances	(155,845,098)	(70,483,640)
	203,023,522	**123,586,750**

Disaggregation of revenue from contracts with customers

The company disaggregates revenue from customers as follows:

Sale of goods		
Sale of goods - pharmaceutical products	358,868,620	194,070,390
Amounts payable to customer - distribution fees, logistic fees and other allowances	(155,845,098)	(70,483,640)
	203,023,522	**123,586,750**

Timing of revenue recognition

At a point in time		
Sale of goods - pharmaceutical products	358,868,620	194,070,390
Amounts payable to customer - distribution fees, logistic fees and other allowances	(155,845,098)	(70,483,640)
	203,023,522	**123,586,750**

15. Cost of sales

Sale of goods	89,086,081	58,250,090
Freight charges	6,501,570	4,374,458
Expired products	637,983	706,946
	96,225,634	**63,331,494**

Figures in Rand	2022	2021

16. Other operating gains

Gains (losses) on disposals, scrappings and settlements		
Right-of-use asset	84,578	-
Foreign exchange gains (losses)		
Net foreign exchange gains	2,510,040	13,904,308
Total other operating gains	**2,594,618**	**13,904,308**

17. Operating profit

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

Auditor's remuneration - external		
Statutory and quality related audit fees	571,490	295,166
Remuneration, other than to employees		
Professional services	3,150,788	2,342,840
Employee costs		
Salaries, wages, bonuses and other benefits	26,729,482	23,816,073
Short term benefit	328,806	238,064
Total employee costs	**27,058,288**	**24,054,137**
Leases		
Operating lease charges		
Small assets	128,505	47,268
Termination fee	235,885	-
	364,390	**47,268**
Depreciation and amortisation		
Depreciation of property, plant and equipment	80,024	102,992
Depreciation of right-of-use assets	632,990	668,533
Total depreciation and amortisation	**713,014**	**771,525**
Other		
Advertising	23,943,114	13,844,026
Distribution cost	5,449,285	4,119,145
Drug registration fees	2,553,112	1,585,945
Promotions	7,278,120	3,961,291
Social responsibility	-	3,028,946

18. Investment income

Interest income		
Bank and other cash	150,340	669,779

Figures in Rand	2022	2021

19. Finance costs

Lease liability under IFRS 16	365,228	99,165

20. Taxation

Major components of the tax (income) expense

Deferred		
Originating and reversing temporary differences	8,797,548	4,492,273

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting (loss) profit	31,335,239	16,270,097
Tax at the applicable tax rate of 28% (2021: 28%)	8,773,867	4,555,627
Tax effect of adjustments on taxable income		
Learnership allowance	-	(63,354)
Right-of-use asset	23,681	-
	8,797,548	**4,492,273**

No provision has been made for 2022 tax as the company has no taxable income. The estimated tax loss available for set off against future taxable income is R 45,025,641 (2021: R 76,817,908).

21. Cash (used in)/generated from operations

(Loss) profit before taxation	31,335,239	16,270,097
Adjustments for:		
Depreciation	713,014	771,525
Gains on disposals, scrappings and settlements of assets and liabilities	(84,578)	-
Interest income	(150,340)	(669,779)
Finance costs	365,228	99,165
Changes in working capital:		
Inventories	(2,903,010)	(10,744,714)
Trade and other receivables	(38,797,979)	12,906,860
Trade and other payables	(28,167,360)	10,805,987
	(37,689,786)	**29,439,141**

Figures in Rand	2022	2021

22. Related parties

Relationships	
Ultimate holding company	Glenmark Pharmaceuticals Limited
Holding company	Glenmark South Africa Proprietary Limited
Fellow subsidiaries	Glenmark Specialities SA
	Glenmark Pharmaceuticals Kenya Proprietary Limited

Related party balances

	2022	2021
Loan accounts - Owing (to) by related parties		
Glenmark South Africa (Pty) Ltd	(94,500,000)	(94,500,000)
Amounts included in Trade receivable regarding related parties		
Glenmark Pharmaceuticals Kenya Proprietary Limited	484,198	-
Amounts included in Trade payable regarding related parties		
Glenmark Pharmaceuticals Limited	47,152,937	85,606,671
Glenmark Specialities SA	8,055,171	13,652,588

Related party transactions

	2022	2021
Sales to related parties		
Glenmark Pharmaceuticals Kenya Proprietary Limited	691,394	876,368
Purchases from related parties		
Glenmark Pharmaceuticals Limited	47,152,937	30,901,038
Glenmark Specialities SA	8,055,171	14,002,909

23. Directors' and prescribed officer's emoluments

Prescribed officers

2022

	Emoluments	Total
For services rendered	2,987,777	2,987,777

2021

	Emoluments	Total
For services rendered	3,006,231	3,006,231

Prescribed officers are involved in the strategic and operational processes of the company.

No emoluments were paid to the directors during the year from the company.

Figures in Rand	2022	2021

24. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Notes	Amortised cost	Total
Trade and other receivables	4	68,101,801	68,101,801
Cash and cash equivalents	5	18,826,796	18,826,796
		86,928,597	**86,928,597**

2021

	Notes	Amortised cost	Total
Trade and other receivables	4	31,122,790	31,122,790
Cash and cash equivalents	5	57,655,219	57,655,219
		88,778,009	**88,778,009**

Categories of financial liabilities

2022

	Note	Amortised cost	Total
Trade and other payables	10	79,776,584	79,776,584

2021

	Note	Amortised cost	Total
Trade and other payables	10	109,553,807	109,553,807

Capital risk management

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

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

24. Financial instruments and risk management (continued)

Financial risk management

Overview

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

- Credit risk;
- Liquidity risk; and
- Foreign exchange risk.

The directors have overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Credit risk

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

The company is exposed to credit risk on loans receivable, and cash and cash equivalents.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit risk is assessed as low. When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc.Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

Figures in Rand	2022	2021

24. Financial instruments and risk management (continued)

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

		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	4	68,101,801	-	68,101,801	31,122,790	-	31,122,790
Cash and cash equivalents	5	18,826,796	-	18,826,796	57,655,219	-	57,655,219
		86,928,597	**-**	**86,928,597**	**88,778,009**	**-**	**88,778,009**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented.

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

Liquidity risk

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

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through cash generated from other operations.

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

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

2022

		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
Non-current liabilities						
Finance lease liabilities	11	-	2,421,325	5,708,776	8,130,101	5,545,683
Current liabilities						
Trade and other payables	11	79,776,584	-	-	79,776,584	79,776,584
Finance lease liabilities	11	713,694	-	-	713,694	693,765
		80,490,278	**2,421,325**	**5,708,776**	**88,620,379**	**86,016,032**

24. Financial instruments and risk management (continued)

2021

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	10	109,553,807	109,553,807	109,553,807
Finance lease liabilities	11	700,880	700,880	675,120

Foreign currency risk

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

Details of foreign currency risk exposure are contained in the relevant notes throughout these financial statements.

Detailed Income Statement

Figures in Rand	Notes	2022	2021
Revenue	14	**203,023,522**	**123,586,750**
Cost of sales	15	**(96,225,634)**	**(63,331,494)**
Gross profit		**106,797,888**	**60,255,256**
Other operating gains			
Gains on disposal of assets or settlement of liabilities		84,578	-
Foreign exchange gains		2,510,040	13,904,308
	16	**2,594,618**	**13,904,308**
Expenses (Refer to page 41)		**(77,842,379)**	**(58,460,081)**
Operating profit	17	**31,550,127**	**15,699,483**
Investment income	18	150,340	669,779
Finance costs	19	(365,228)	(99,165)
Profit before taxation		**31,335,239**	**16,270,097**
Taxation	20	(8,797,548)	(4,492,273)
Profit for the year		**22,537,691**	**11,777,824**

Detailed Income Statement

Figures in Rand	Notes	2022	2021
Other operating expenses			
Advertising		(23,943,114)	(13,844,026)
Audit fees	17	(571,490)	(295,166)
Bank charges		(133,482)	(89,960)
Computer expenses		(279,988)	(266,511)
Depreciation		(80,024)	(102,992)
Depreciation right-of-use assets		(632,990)	(668,533)
Distribution costs		(5,449,285)	(4,119,145)
Drug registration fee		(2,553,112)	(1,585,945)
Employee costs		(27,058,288)	(24,054,137)
Insurance		(116,294)	(108,580)
Lease rentals on operating lease		(364,390)	(47,268)
Motor vehicle expenses		(1,700,302)	(745,722)
Origination and agency cost		(39,841)	(32,387)
Postage		(236,580)	(137,829)
Professional fees		(3,150,788)	(2,342,840)
Promotions		(7,278,120)	(3,961,291)
Recruitment		(295,680)	(465,052)
Repairs and maintenance		(238,935)	(182,994)
Royalties and license fees		(469,277)	(814,270)
Security		(572)	(6,467)
Social responsibility		-	(3,028,946)
Staff welfare		(1,084,312)	(152,326)
Telephone and fax		(523,694)	(357,847)
Training		12,351	(133,575)
Transport and freight		-	(73,987)
Travel - local		(1,444,756)	(749,250)
Travel - overseas		(134,340)	(9,247)
Utilities		(75,076)	(83,788)
		(77,842,379)	**(58,460,081)**

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