BIOTECH
LABORATORIES (PTY) LTD

Biotech Laboratories (Pty) Ltd
(Registration number 1990/007220/07)
Financial statements
for the year ended 31 March 2018

These financial statements were prepared by:
Stewart Barker CA (S.A.)
Chief Finance Officer
in terms of Section 29(1)(C)(ii) of the Companies Act No.71 of 2008

Ngubane & Co. (Jhb) Inc.
Chartered Accountant (SA)
Registered Auditors

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Pharmaceutical manufacturer, sales and marketing
Directors	Mapetla S.K. (Chairman) Mody P.D. (Director) Mehta B.P. (Director) Mody N.S. (Director) Barker S.G. (Director) Mehta J.B. (Director) Singh P.K. (Director)
Registered office	Block K West 400 16th Road, Central Park Randjespark Midrand 1685
Business address	Block K West 400 16th Road, Central Park Randjespark Midrand 1685
Postal address	Suite 150 Private Bag X65 Halfway House 1685
Ultimate holding company	J.B. Chemicals & Pharmaceuticals Limited incorporated in Mumbai India
Bankers	First National Bank Standard Bank
Auditor	Ngubane & Co. (Jhb) Inc. Chartered Accountant (SA) Registered Auditors
Tax reference number	9040609845
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 08 to 33, which have been prepared on the going concern basis, were approved by the board of directors on 7 May 2018 and were signed on their behalf by:

Mapetla S.K. (Chairman)	Mody P.D. (Director)

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

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Independent Auditor's Report to the shareholders of Biotech Laboratories (Pty) Ltd

Report on the Financial Statements

Opinion

We have audited the financial statements of Biotech Laboratories (Pty) Ltd set out on pages 8 to 33 which comprise the statement of financial position as at 31 March 2018, 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 Biotech Laboratories (Pty) Ltd as at 31 March 2018, 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 71 of 2008.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of intangible assets	
Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. The intangible assets consist of the dossier registration and acquisition costs. Some dossiers are purchased in as a group of dossiers and these are grouped together as a cash generating unit expects to use the asset. An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the entity.	We reviewed the assumptions made in determining the recoverable amount (value in use). Our audit procedures included: • Reviewing the Dossiers and determine if their suppliers registered on the Dossiers have not changed and or are liquidated. • Reviewing the Dossier register for any Dossiers that are no longer active for impairment.

An impairment assessment is performed on indefinite useful life intangible assets annually or more frequently if there are indicators that the balance might be impaired. Finite useful life intangible assets are reviewed annually, but only assessed for impairment when there are indicators that the balance might be impaired. The determination of the recoverable amount is considered to be a key audit matter due to the significant judgement applied by management on the estimate.	Based on the audit work above calculations no impairments were recognised for the indefinite useful life intangible assets. There are no reasonable possible changes in any key assumptions which would cause the carrying value of indefinite useful life intangible assets to exceed its value-in-use. We found that the intangible assets are appropriately recognized, correctly valued and are complete. We consider the disclosure of the provisions to be useful and fairly presented in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report. 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on legal and other regulatory requirements

The audit tenure paragraph, included under the above heading, is mandatory for all auditors' reports on annual financial statements of all public interest entities, including listed entities, as defined in the Companies Act of 2008 and prescribed by the Regulatory Board from time to time, for periods ending on or after 31 December 2015.

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, I report that Ngubane & Co. (Jhb) Inc. has been the auditor of Biotech Laboratories (Pty) Ltd for 6 years.

As required by the Auditing Standards, there is no material instance of non-compliance that has come to our attention during the course of the audit.

The engagement director on the audit resulting in this independent auditor's report is Edwin Chapanduka.

Ngubane & Co.

Ngubane and Company (Jhb) Incorporated

Registered Auditors

Director: Edwin Chapanduka

Registered Auditor

7 May 2018

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Directors' Report

The directors have pleasure in submitting their report on the financial statements of Biotech Laboratories (Pty) Ltd for the year ended 31 March 2018.

1. Nature of business

Biotech Laboratories (Pty) Ltd is incorporated in South Africa with interests in the pharmaceutical industry. The company operates in southern Africa.

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

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

3. Share capital

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

4. Dividends

No dividends were declared during the period under review.

5. Directorate

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

Directors	Office	Designation	Nationality
Mapetla S.K. (Chairman)	Chairperson	Non - Executive	South African
Mody P.D. (Director)	Director	Non - Executive	Indian and Non Resident
Mehta B.P. (Director)	Director	Non-executive	Indian and Non Resident
Mody N.S. (Director)	Director	Non - Executive	Indian and Non Resident
Barker S.G. (Director)	Chief Executive Officer	Executive	South African
Mehta J.B. (Director)	Director	Non - Executive	Indian and Non Resident
Singh P.K. (Director)	Director	Non - Executive	Indian and Non Resident

Mehta B.P. was appointed as a non - executive director on 16 August 2017.

6. 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.

7. Going concern

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

8. Auditors

Ngubane & Co. (Jhb) Inc. continued in office as auditors for the company for 2018.

9. Secretary

The company had no secretary during the year but all secretarial functions were performed by Mr S.G. Barker, CA(S.A).

Statement of Financial Position as at 31 March 2018

Figures in Rand	Notes	2018	2017
Assets			
Non-Current Assets			
Property, plant and equipment	3	1 529 722	1 864 639
Intangible assets	4	28 756 048	31 374 696
		30 285 770	**33 239 335**
Current Assets			
Inventories	9	56 129 618	67 547 657
Deferred tax	8	4 636 409	4 629 368
Trade and other receivables	10	65 263 991	58 313 253
Other financial assets	6	-	310 000
Current tax receivable	17	-	878 407
Cash and cash equivalents	11	15 815 970	2 799 168
		141 845 988	**134 477 853**
Total Assets		**172 131 758**	**167 717 188**
Equity and Liabilities			
Equity			
Share capital	12	27 598 116	27 598 116
Retained income		81 681 787	66 641 166
		109 279 903	**94 239 282**
Liabilities			
Current Liabilities			
Trade and other payables	16	46 982 231	58 617 005
Lease liabilities	13	140 362	-
Loans from shareholders	5	3 150 000	3 150 000
Other financial liabilities	14	585 133	1 848 845
Deferred employee compensation	7	6 900 000	6 900 000
Current tax payable	17	278 604	-
Provisions	15	4 815 525	2 962 056
		62 851 855	**73 477 906**
Total Equity and Liabilities		**172 131 758**	**167 717 188**

Statement of Comprehensive Income

Figures in Rand	Notes	2018	2017
Revenue	18	274 902 847	342 736 594
Cost of sales	19	(150 805 216)	(214 845 160)
Gross profit		**124 097 631**	**127 891 434**
Other operating income	20	1 746 292	765 369
Other operating expenses		(106 854 472)	(107 743 213)
Operating profit	21	**18 989 451**	**20 913 590**
Investment income	22	1 179 010	-
Finance costs	23	-	(824 278)
Profit before taxation		**20 168 461**	**20 089 312**
Taxation	24	(5 127 840)	(5 557 988)
Profit for the year		**15 040 621**	**14 531 324**
Other comprehensive income		-	-
Total comprehensive income for the year		**15 040 621**	**14 531 324**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 April 2016	**4 701**	**27 593 415**	**27 598 116**	**52 109 842**	**79 707 958**
Profit for the year	-	-	-	14 531 324	14 531 324
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**14 531 324**	**14 531 324**
Balance at 01 April 2017	**4 701**	**27 593 415**	**27 598 116**	**66 641 166**	**94 239 282**
Profit for the year	-	-	-	15 040 621	15 040 621
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**15 040 621**	**15 040 621**
Balance at 31 March 2018	**4 701**	**27 593 415**	**27 598 116**	**81 681 787**	**109 279 903**
Note	12	12	12		

Biotech Laboratories (Pty) Ltd
Financial Statements for the year ended 31 March 2018

Statement of Cash Flows

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	25	14 252 577	13 991 039
Interest income		1 179 010	-
Finance costs		-	(824 278)
Tax paid	26	(3 970 829)	(9 058 179)
Net cash from operating activities		**11 460 758**	**4 108 582**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(108 892)	(1 122 268)
Sale of other intangible assets	4	2 618 648	-
Repayment of loan asset		310 000	-
Net cash from investing activities		**2 819 756**	**(1 122 268)**
Cash flows from financing activities			
Repayment of other financial liabilities		(1 263 712)	1 848 845
Finance lease payments		-	(915 682)
Net cash from financing activities		**(1 263 712)**	**933 163**
Total cash movement for the year		**13 016 802**	**3 919 477**
Cash at the beginning of the year		2 799 168	(1 120 309)
Total cash at end of the year	11	**15 815 970**	**2 799 168**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended. The financial statements have been prepared on the historic cost basis except for certain financial statements line items measured at fair value, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

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

Key sources of estimation uncertainty

Trade receivables and loans and receivables

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

The impairment (or loss allowance) for trade receivables and loans and receivable is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete inventory

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

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.

Useful lives of property, plant and equipment

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 15.

Taxation

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 ordinanry 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.

1.3 Property, plant and equipment

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

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

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

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

Subsequent to initial recognition, property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Item	Depreciation method	Depreciation rates
Furniture and fixtures	Straight line	16.67%
Computer equipment	Straight line	33.33%
Computer software	Straight line	50%
Leasehold improvements	Straight line	20% / Lease period

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

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

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

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

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

Accounting Policies

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 assets are carried at cost less any accumulated impairment losses and amortisation. The intangible assets are not revalued.

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.

Product participation and other contractual rights are amortised on a straight-line basis over the financial years of the agreements. For impairment purposes, the recoverable amount of the intangible asset is determined as the higher of value in use and fair value less cost to sell. The recoverable amount of the intangible asset is assessed as a cash generating unit.

1.5 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:
- Loans and receivables
- Financial liabilities at fair value through profit or loss - designated

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss.

Initial recognition and measurement

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the company's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

At each reporting date the company assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) group companies

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.6 Leases

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

Accounting Policies

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.

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

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

1.8 Inventories

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

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

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

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

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

Accounting Policies

1.9 Impairment of assets

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

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

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

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

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

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

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

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.

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

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.

Defined contribution plans

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

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

Accounting Policies

1.11 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in profit or loss over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In profit or loss, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

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

Provisions are not recognised for future operating losses.

1.13 Revenue

Revenue from the sale of medical and pharmaceutical supplies is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Accounting Policies

1.13 Revenue (continued)

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

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 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.

1.15 Cost of sales

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

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

1.16 Borrowing costs

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Deferred tax

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Notes to the Financial Statements

2. New Standards and Interpretations

2.1 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 2018 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the company are as follows:

Company as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

The effective date of the standard is for years beginning on or after 01 January 2019.

The company expects to adopt the standard for the first time in the 2020 financial statements.

The company is unable to reliably estimate the impact of the standard on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

2. New Standards and Interpretations (continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 financial statements.

The company is unable to reliably estimate the impact of the standard on the financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

2. New Standards and Interpretations (continued)

The effective date of the standard is for years beginning on or after 01 January 2018.

The company expects to adopt the standard for the first time in the 2019 financial statements.

The company is unable to reliably estimate the impact of the standard on the financial statements.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

The company unable to reliably estimate the impact of the amendment on the annual financial statements.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

The company is unable to reliably estimate the impact of the amendment on the financial statements.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 01 January 2017.

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

The company has adopted the amendment for the first time in the 2018 financial statements.

The company is unable to reliably estimate the impact of the amendment on the annual financial statements.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

In terms of IAS 12 Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the company:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type.

Additional guidelines were prescribed for evaluating whether the company will have sufficient taxable profit in future periods. The company is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences.

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 01 January 2017.

The company has adopted the amendment for the first time in the 2018 financial statements.

Notes to the Financial Statements

Figures in Rand

3. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1 105 857	(341 927)	763 930	1 105 857	(171 496)	934 361
IT equipment	462 771	(331 608)	131 163	404 638	(271 384)	133 254
Computer software	244 516	(213 810)	30 706	210 623	(200 659)	9 964
Leasehold improvements	915 682	(311 759)	603 923	915 682	(128 622)	787 060
Total	**2 728 826**	**(1 199 104)**	**1 529 722**	**2 636 800**	**(772 161)**	**1 864 639**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals/write offs	Depreciation	Total
Furniture and fixtures	934 361	-	-	(170 431)	763 930
Computer equipment	133 254	75 000	(1 483)	(75 608)	131 163
Computer software	9 964	33 892	-	(13 150)	30 706
Leasehold improvements	787 060	-	-	(183 137)	603 923
	1 864 639	**108 892**	**(1 483)**	**(442 326)**	**1 529 722**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals/ Writes offs	Depreciation	Total
Furniture and fixtures	27 915	985 176	(22)	(78 708)	934 361
Computer equipment	90 166	128 674	(14 853)	(70 733)	133 254
Computer software	14 771	8 418	(1)	(13 224)	9 964
Leasehold improvements	-	915 682	-	(128 622)	787 060
	132 852	**2 037 950**	**(14 876)**	**(291 287)**	**1 864 639**

Notes to the Financial Statements

Figures in Rand	2018	2017

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Dossiers and registration	28 756 048	-	28 756 048	31 374 696	-	31 374 696

Reconciliation of intangible assets - 2018

	Opening balance	Disposals	Total
Dossiers and registrations	31 374 696	(2 618 648)	28 756 048

Reconciliation of intangible assets - 2017

	Opening balance	Total
Dossiers and registration	31 374 696	31 374 696

Other information

All intangible assets were acquired from third parties and were not developed internally. No intangible assets have been pledged as security for borrowings.

5. Loans from shareholders

	2018	2017
Unique Pharmaceutical Laboratories FZE The loan is unsecured, interest free with no fixed term of repayment. The carrying amount of the loan from shareholder is denominated in rands.	(3 150 000)	(3 150 000)

Cession of loan to shareholders have been pledged as security for an overdraft facility with First Rand Bank Limited.

6. Other financial assets

	2018	2017
Loans and receivables		
Loan to BEESA The loan is unsecured, interest fee and repayable after 5 years. The loan matured on 15 May 2017.	-	310 000
Current assets		
Loans and receivables	-	310 000

7. Deferred employee compensation

Employee benefits

	2018	2017
Deferred employee benefits	(6 900 000)	(6 900 000)

The deferred employee compensation is as a result of phantom share option and is payable in the following financial year.

Notes to the Financial Statements

Figures in Rand	2018	2017

8. Deferred tax

Deferred tax asset

The deferred tax assets 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:

Reconciliation of deferred tax asset

	2018	2017
At beginning of year	4 629 368	4 440 841
Taxable / (deductible) temporary difference on leases	39 301	-
Taxable / (deductible) temporary difference on provisions	(4 977)	724 091
Taxable / (deductible) temporary difference on prepayments	(27 283)	(2 164)
Taxable / (deductible) temporary difference on deferred employee compensations	-	(533 400)
	4 636 409	**4 629 368**

	2018	2017
Total deferred tax	4 636 409	4 629 368

Deferred tax comprises the following

	2018	2017
Leases	39 301	-
Provisions	2 727 819	2 732 796
Prepayments	(62 711)	(35 428)
Provision for deferred employee compensation	1 932 000	1 932 000
	4 636 409	**4 629 368**

9. Inventories

	2018	2017
Raw materials, components	147 345	913 984
Finished goods	59 709 934	72 529 353
	59 857 279	73 443 337
Provision for stock obsolescence	(3 727 661)	(5 895 680)
	56 129 618	**67 547 657**

Movement in provision for stock obsolescence

	2018	2017
Opening balance	5 895 680	3 278 393
Provision raised	6 384 798	8 733 511
Reversals	(8 552 816)	(6 116 224)
	3 727 662	**5 895 680**

10. Trade and other receivables

	2018	2017
Trade receivables	62 873 077	58 975 481
Employee costs in advance	166 000	168 699
Prepayments	2 013 984	126 527
SARS - VAT	1 809 629	245 545
Provision for doubtful debts	(1 598 699)	(1 202 999)
	65 263 991	**58 313 253**

Movement in provision for doubtful debts

	2018	2017
Opening balance	1 202 999	863 448
Provision raised	395 700	339 551
	1 598 699	**1 202 999**

Notes to the Financial Statements

Figures in Rand	2018	2017

10. Trade and other receivables (continued)

Split between non-current and current portions

Current assets	65 263 991	58 313 253

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of the company.

Credit quality of trade and other receivables

The credit quality of receivables and prepayments is considered to be satisfactory.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5 000	5 000
Bank balances	15 810 970	2 794 168
	15 815 970	**2 799 168**

Collaterial to FirstRand Bank Limited

Cession of debtors	65 894 545	82 150 685
Cession of shareholders loan	3 150 000	3 150 000
Letter of undertaking or comfort	39 600 000	39 000 000

12. Share capital

Authorised		
5 000 000 Ordinary shares of one tenth of a cent each	5 000	5 000
5 000 000 Non redeemable convertible "A" preference shares of one tenth of a cent each.	5 000	5 000
	10 000	**10 000**

Issued		
4 701 492 Ordinary shares of one tenth of a cent each	4 701	4 701
Share premium	27 593 415	27 593 415
	27 598 116	**27 598 116**

Notes to the Financial Statements

Figures in Rand	2018	2017

13. Lease liabilities

Current liabilities - lease smoothing	140 362	-

14. Other financial liabilities

At fair value through profit (loss)		
Synthetic derivatives	585 133	1 848 845

The synthetic instruments are call and put options with Rand Merchant Bank . No premium amount is payable for these commitments.

Current liabilities		
Fair value through profit or loss	585 133	1 848 845

15. Provisions

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provison for leave pay	694 998	416 582	(93 948)	(25 019)	992 613
Provision for bonus	2 267 058	4 195 884	(2 640 030)	-	3 822 912
	2 962 056	**4 612 466**	**(2 733 978)**	**(25 019)**	**4 815 525**

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	798 787	33 272	(137 061)	694 998
Provision for bonus	2 449 178	2 924 658	(3 106 778)	2 267 058
	3 247 965	**2 957 930**	**(3 243 839)**	**2 962 056**

16. Trade and other payables

Trade payables	43 889 514	55 217 228
Other accrued expenses	3 092 717	3 399 777
	46 982 231	**58 617 005**

17. Current tax payable (receivable)

Current tax payable (receivable)	278 604	(878 407)

18. Revenue from sale of goods

Sale of goods	274 902 847	342 736 594

19. Cost of sales

Sale of goods	150 805 216	214 845 160

Notes to the Financial Statements

Figures in Rand	2018	2017

20. Other income

Other income	1 746 292	765 369

21. Operating profit (loss)

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

Auditor's remuneration - external	**175 578**	**162 683**
Employee costs		
Salaries, wages, bonuses and other benefits	24 925 387	23 668 591
Other short term costs	2 322 602	2 290 510
Retirement benefit plans: defined contribution expense	2 794 196	2 549 032
Total employee costs	**30 042 185**	**28 508 133**
Depreciation and amortisation		
Depreciation of property, plant and equipment	442 327	291 288

22. Investment income

Interest income		
From investments in financial assets:		
Bank and other cash	1 143 454	-
SARS interest received	35 556	-
Total interest income	**1 179 010**	**-**

23. Finance costs

Other interest paid	-	824 278

24. Taxation

Major components of the tax expense

Current		
Local income tax - current period	5 134 881	5 746 515
Deferred		
Temporary differences	(7 041)	(188 527)
	5 127 840	**5 557 988**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	20 168 461	20 089 312
Tax at the applicable tax rate of 28% (2017: 28%)	5 647 169	5 625 007
Tax effect of adjustments on taxable income		
Deferred tax on provision for doubtful debts	-	(67 019)
Prior year under provision - donations disallowed	8 220	-

Figures in Rand	2018	2017
24. Taxation (continued)		
Prior year over provision	(438 055)	-
Permanent difference	(89 483)	-
	5 127 851	**5 557 988**

25. Cash generated from operations

Profit before taxation	20 168 461	20 089 312
Adjustments for:		
Depreciation and amortisation	442 327	291 288
Interest income	(1 179 010)	-
Finance costs	-	824 278
Movements in provisions	1 853 469	(2 190 909)
Loss on write off of property, plant and equipment	1 482	14 875
Lease smoothening	140 362	-
Changes in working capital:		
Inventories	11 418 039	52 254 306
Trade and other receivables	(6 950 738)	(1 250 683)
Deferred tax	(7 041)	-
Trade and other payables	(11 634 774)	(56 041 428)
	14 252 577	**13 991 039**

26. Tax paid

Balance at beginning of the year	878 407	(2 433 257)
Current tax for the year recognised in profit or loss	(5 134 881)	(5 746 515)
Adjustment in respect of deferred tax	7 041	-
Balance at end of the year	278 604	(878 407)
	(3 970 829)	**(9 058 179)**

Notes to the Financial Statements

Figures in Rand	2018	2017

27. Related parties

Relationships	
Shareholders	Unique Pharmaceutical Laboratories FZE Shadrack Kosea Mapetla
Key management	Stewart Barker Amanda Burstein Motshabi Kgantsi Christa Bester

Related party balances

	2018	2017
Loan accounts - Owing to related parties		
Unique Pharmaceutical Laboratories FZE	(3 150 000)	(3 150 000)
Amounts included in Trade Payable regarding related parties		
Unique Pharmaceutical Laboratories division of J.B. Chemicals & Pharmaceuticals Limited.	(20 914 277)	(18 197 913)

Related party transactions

	2018	2017
Purchases from (sales to) related parties		
Unique Pharmaceutical Laboratories division of J.B. Chemicals & Pharmaceuticals Limited	47 752 413	51 632 268

28. Directors' emoluments

Executive

2018

	Basic salary	Bonus	Cellphone & travel allowance	Company contributions	Total
For services as director	2 201 828	2 008 931	148 800	547 851	4 907 410

2017

	Basic salary	Bonus	Cellphone & travel allowance	Company contributions	Total
For services as director	1 908 454	6 066 795	148 800	540 683	8 664 732

29. Risk management

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for 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 debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 5, 13 & 14 cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

Figures in Rand	2018	2017

29. Risk management (continued)

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

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities and net-settled derivative 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.

Loans from shareholders	3 150 000	3 150 000
Current tax payable	278 604	-
Trade and other payables	45 271 774	62 481 584
	48 700 378	**65 631 584**

Interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

30. Going concern

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

31. Events after the reporting period

Management is not aware of any matters or circumstances arising at the end of the financial year that has a material impact on the annual financial statements.