



Biotech Laboratories (Pty) Ltd
(Registration number 1990/007220/07)
Financial statements
for the year ended 31 March 2019

These financial statements were prepared by:
Stewart Barker, CA (SA)
Chief Finance Officer

These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa.
Issued 07 May 2019

Biotech Laboratories (Pty) Ltd

(Registration number 1990/007220/07)

Financial Statements for the year ended 31 March 2019

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
Holding company	Unique Pharmaceutical Laboratories FZE incorporated in Dubai, United Arab Emirates
Ultimate holding company	J.B. Chemicals & Pharmaceuticals Limited incorporated in Mumbai India
Auditor	Ngubane & Co. (Jhb) Inc. Chartered Accountant (SA) 1 Superior Road Halfway House Midrand
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 of South Africa.

Biotech Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2019

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Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008 of South Africa.

Preparer

Stewart Barker, CA (SA)
Chief Finance Officer

Published

07 May 2019

Biotech Laboratories (Pty) Ltd

(Registration number 1990/007220/07)

Financial Statements for the year ended 31 March 2019

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 board 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.

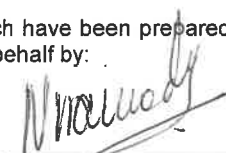
The directors have reviewed the company's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditor and their report is presented on pages 6 to 8.

The financial statements set out on pages 9 to 50, which have been prepared on the going concern basis, were approved by the board on 07 May 2019 and were signed on their behalf by:



Mapeta S.K. (Chairman)



Mody N.S. (Director)

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Financial Statements for the year ended 31 March 2019

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 2019.

1. Incorporation

The company was incorporated on 31 July 1990 and obtained its certificate to commence business on the same day.

The company is located in South Africa where it is incorporated as a private company limited by shares under the Companies Act 71 of 2008 of South Africa.

2. Nature of business

Biotech Laboratories (Pty) Ltd was incorporated in South Africa with interests in the pharmaceutical industry. 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 financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008 of South Africa. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new accounting standards as set out in note 2 to the financial statements.

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

4. Share capital

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

5. Dividends

There were no dividends declared during the year under review.

6. 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

Non executive directors are all independent.

7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

8. Holding company

The company's holding company is Unique Pharmaceutical Laboratories FZE which holds 95% (2018: 95%) of the company's equity. Unique Pharmaceutical Laboratories FZE is incorporated in Dubai, United Arab Emirates.

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Financial Statements for the year ended 31 March 2019

Directors' Report

9. Ultimate holding company

The company's ultimate holding company is J.B. Chemicals & Pharmaceuticals Limited which is incorporated in India.

10. 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.

11. 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.

12. Auditors

Ngubane & Co. (Jhb) Inc. continued in office as auditors for the company for 2019.

13. Secretary

The company had no secretary during the year, but all secretarial work was performed by S.G Barker.

14. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on Tuesday, 07 May 2019. No authority was given to anyone to amend the financial statements after the date of issue.

Independent Auditor's Report

To the Shareholders of Biotech Laboratories (Pty) Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the annual financial statements of Biotech Laboratories (Pty) Ltd set out on pages 9 to 49, which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 the company as at 31 March 2019, 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 group 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.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa, which we obtained prior to the date of this report. 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 on the other information obtained prior to the date of this auditor's report, 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 group'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 group 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:

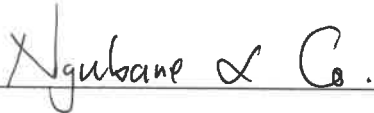
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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 entity'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 group'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 group 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.



Ngubane and Company (Jhb) Incorporated
Registered Auditors
Director: Edwin Chapanduka
Registered Auditor

7 May 2019

Midrand



Biotech Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2019

Statement of Financial Position as at 31 March 2019

Figures in Rand	Notes	2019	2018
Assets			
Non-Current Assets			
Property, plant and equipment	4	1 178 365	1 529 722
Intangible assets	5	28 729 343	28 756 048
Deferred tax	8	3 649 607	4 636 409
		33 557 315	34 922 179
Current Assets			
Inventories	9	52 847 619	56 129 618
Trade and other receivables	10	75 108 755	65 263 991
Other financial assets	6	597 936	(585 133)
Current tax receivable		1 016 566	-
Cash and cash equivalents	11	26 368 852	15 815 970
		155 939 728	136 624 446
Total Assets		189 497 043	171 546 625
Equity and Liabilities			
Equity			
Share capital	12	27 598 116	27 598 116
Retained income		102 513 942	81 681 787
		130 112 058	109 279 903
Liabilities			
Current Liabilities			
Trade and other payables	16	51 135 917	46 982 231
Operating lease liability	13	57 833	140 362
Loans from shareholders	14	3 150 000	3 150 000
Deferred employee compensation	7	-	6 900 000
Current tax payable		-	278 604
Provisions	15	5 041 235	4 815 525
		59 384 985	62 266 722
Total Equity and Liabilities		189 497 043	171 546 625

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Financial Statements for the year ended 31 March 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2019	2018
Revenue	17	331 979 145	274 902 847
Cost of sales	18	(191 406 195)	(150 805 216)
Gross profit		140 572 950	124 097 631
Other operating income	19	2 504 403	1 746 293
Other operating expenses		(116 510 729)	(106 854 472)
Operating profit	20	26 566 624	18 989 452
Investment income	22	1 652 886	1 179 010
Finance costs		(19)	-
Profit before taxation		28 219 491	20 168 462
Taxation	23	(7 387 338)	(5 127 840)
Profit for the year		20 832 153	15 040 622
Other comprehensive income		-	-
Total comprehensive income for the year		20 832 153	15 040 622

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Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 April 2017	4 701	27 593 415	27 598 116	66 641 165	94 239 281
Profit for the year	-	-	-	15 040 622	15 040 622
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	15 040 622	15 040 622
Balance at 01 April 2018	4 701	27 593 415	27 598 116	81 681 789	109 279 905
Profit for the year	-	-	-	20 832 153	20 832 153
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	20 832 153	20 832 153
Balance at 31 March 2019	4 701	27 593 415	27 598 116	102 513 942	130 112 058
Notes	12	12	12		

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Financial Statements for the year ended 31 March 2019

Statement of Cash Flows

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	24	17 897 149	14 252 577
Interest income		1 652 886	1 179 010
Finance costs		(19)	-
Tax paid	25	(7 695 706)	(3 970 829)
Net cash from operating activities		11 854 310	11 460 758
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(118 359)	(108 892)
Sale of other intangible assets	5	-	2 618 648
Movement in other financial assets		(1 183 069)	310 000
Net cash from investing activities		(1 301 428)	2 819 756
Cash flows from financing activities			
Repayment of financial liabilities at fair value through profit (loss)		-	(1 263 712)
Net cash from financing activities		-	(1 263 712)
Total cash movement for the year		10 552 882	13 016 802
Cash at the beginning of the year		15 815 970	2 799 168
Total cash at end of the year	11	26 368 852	15 815 970

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Financial Statements for the year ended 31 March 2019

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 of South Africa, as amended.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 to the annual financial statements.

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.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Key sources of estimation uncertainty

Impairment of financial assets

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

Allowance for slow moving, damaged and obsolete inventory

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

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.

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Financial Statements for the year ended 31 March 2019

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

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. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

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

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.

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.

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. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
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.

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Accounting Policies

1.3 Property, plant and equipment (continued)

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.

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 amortisation and any impairment losses.

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.

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 equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or

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Financial Statements for the year ended 31 March 2019

Accounting Policies

Financial instruments (continued)

- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 30 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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Accounting Policies

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 10).

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.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 22).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 10.

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Accounting Policies

Financial instruments (continued)

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 20).

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 16), 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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 30 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 (losses).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 30).

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Accounting Policies

Financial instruments (continued)

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

When a financial liability is contingent consideration in a business combination, the company classifies it as a financial liability at fair value through profit or loss.

The company, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in other operating gains (losses)

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the company's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs .

Financial liabilities denominated in foreign currencies

When a financial liability at fair value through profit or loss is denominated in a foreign currency, the fair value of the instrument is determined in the foreign currency. The fair value 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 as part of the fair value adjustment in profit or loss. To the extent that the foreign exchange gain or loss relates to the portion of the fair value adjustment recognised in other comprehensive income, that portion of foreign exchange gain or loss is included in the fair value adjustment recognised in other comprehensive income.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 30).

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 recorded at fair value and subsequently at amortised cost.

Bank overdrafts

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

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Accounting Policies

1.6 Hedge accounting

At the inception of the hedge relationship, the company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the company actually hedges and the quantity of the hedging instrument that the company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The company designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The company excludes the time value of options and designates only the intrinsic value of options as the hedging instruments in hedges involving options as the hedging instruments. The change in fair value attributable to the time value of options is recognised in other comprehensive income and accumulated in equity as deferred hedging gains (losses). The company only hedges time period related hedged items using options. The change in the aligned time value is recognised in other comprehensive income and is amortised on a systematic and rational basis over the period during which the hedge adjustment for the option's intrinsic value could affect profit or loss (or other comprehensive income, if the hedged item is an equity instrument at fair value through other comprehensive income). However, if hedge accounting is discontinued the net amount (i.e. including cumulative amortisation) that has been accumulated in the deferred hedging reserve is immediately reclassified into profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income, in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. The net gains (losses) on fair value hedges which are recognised in profit or loss are included in other operating gains (losses) note.

The company discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

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.

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Accounting Policies

1.7 Tax (continued)

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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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 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.

1.9 Inventories

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

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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.

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Accounting Policies

1.9 Inventories (continued)

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.

1.10 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.
- tests goodwill acquired in a business combination for impairment annually.

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 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.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

1.11 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 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 company in which they are declared.

1.12 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.

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Accounting Policies

1.12 Employee benefits (continued)

Defined contribution plans

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

Payments made to industry-managed 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.

1.13 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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies and commitments are disclosed in note 26 & 27.

1.14 Revenue from contracts with customers

The company recognises revenue from the following major sources:

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

Sale of pharmaceutical goods

For sales of pharmaceutical goods, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the specific location. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

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.

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Accounting Policies

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

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

1.17 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.

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.

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Notes to the Financial Statements

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2. Adoption of new Accounting Standards

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

Application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for

1) the classification and measurement of financial assets and financial liabilities,

2) impairment for financial assets and

3) general hedge accounting. Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 April 2018. Accordingly, the company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 April 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 April 2018. Comparatives in relation to instruments that have not been derecognised as at 01 April 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the company's existing financial assets as at 01 April 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards to their classification and measurement:

Impairment of financial assets

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 the company 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

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2. Adoption of new Accounting Standards (continued)

As at 01 April 2018, the directors reviewed and assessed the company's existing financial assets, amounts due from customers and financial guarantee contracts for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 April 2017 and 01 April 2018. The result of the assessment is as follows:

Items existing on 01 April 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 01 April 2017 and 01 April 2018
Trade and other receivables	10	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.
Cash and bank balances	11	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

Total additional loss allowance

The additional loss allowance is charged against the respective asset or provision for financial guarantee, except for the investments at fair value through other comprehensive income, the loss allowance for which is recognised against the reserve in equity. The application of the IFRS 9 impairment requirements has resulted in an immaterial additional provision recognised to be recognised in the current year.

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

Hedging accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the company's risk management activities have also been introduced.

Apart from the above, the application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the company for the current and/or prior year. Refer to note 31 Hedge accounting for detailed disclosures regarding hedge accounting.

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Notes to the Financial Statements

2. Adoption of new Accounting Standards (continued)

Reconciliation of the reclassifications and remeasurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at 01 April 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss" and "FVOCI" denotes "fair value through other comprehensive income."

Previous measurement	New measurement category: IFRS 9						Change attributable to:
	IAS 39	FVPL - mandatory	FVPL - designated	Amortised cost	FVOCI - equity	FVOCI - debt	
62 873 077	-	-	-	62 873 077	-	-	No change
15 815 870	-	-	-	15 815 870	-	-	No change
78 688 947	-	-	-	78 688 947	-	-	-

Previously Loans and receivables:

Trade and other receivables
Cash and cash equivalents

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2. Adoption of new Accounting Standards (continued)

Reconciliation of the reclassifications and remeasurements of financial liabilities as a result of adopting IFRS9

The following table presents a summary of the financial liabilities as at 01 April 2018. The table reconciles the movement of financial liabilities from their IAS 39 measurement categories and into their new IFRS 9 measurement categories. "FVPL" denotes "fair value through profit or loss".

Previous measurement	New measurement category: IFRS 9				Change attributable to:
	FVPL - mandatory	FVPL - designated	Amortised cost	Re-measurement changes - Retained earnings	
IAS 39					
585 133	-	585 133	-	-	No change
(50 276 937)	-	-	(50 276 937)	-	No change
(3 150 000)	-	-	(3 150 000)	-	No change
(53 426 937)	-	-	(53 426 937)	-	
(52 841 804)	-	585 133	(53 426 937)	-	

Previously Fair value through profit or loss (designated):

Other financial liabilities

Previously Amortised cost:

Trade and other payables
Loans from shareholders

Financial impact of initial application of IFRS 9

The table below shows changes on financial instrument for each financial statement line item affected by the application of IFRS 9 for the current and prior year.

Application of IFRS 15 Revenue from contracts with customers

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Notes to the Financial Statements

2. Adoption of new Accounting Standards (continued)

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces 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.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of these new requirements as well as their impact on the company financial statements are described below. Refer to the revenue accounting policy for additional details.

The company has applied IFRS 15 with an initial date of application of 01 April 2018 in accordance with the cumulative effect method, by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 01 April 2018. The comparative information has therefore not been restated.

3. New Standards and Interpretations

3.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none">IFRS 9 Financial Instruments	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
<ul style="list-style-type: none">IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
<ul style="list-style-type: none">Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy.
<ul style="list-style-type: none">Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	01 January 2018	The impact of the standard is not material.
<ul style="list-style-type: none">Amendments to IAS 28: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	No impact
<ul style="list-style-type: none">Amendments to IFRS 1: Annual Improvements to IFRS 2014 - 2016 cycle	01 January 2018	The impact of the standard is not material.
<ul style="list-style-type: none">Amendments to IAS 40: Transfers of Investment Property	01 January 2018	No impact
<ul style="list-style-type: none">Foreign Currency Transactions and Advance Consideration	01 January 2018	No impact
<ul style="list-style-type: none">Amendments to IFRS 4: Insurance Contracts	01 January 2018	The impact of the standard is not material.
<ul style="list-style-type: none">Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	01 January 2018	The impact of the standard is not material.

3.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2019 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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3. New Standards and Interpretations (continued)

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's financial statements.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2021.

The company has adopted the standard for the first time in the 2022 financial statements.

It is unlikely that the standard will have no impact on the company's financial statements.

Plan Amendment, Curtailment or Settlement - Amendments to IAS 19

The amendment deals with the determination of past service cost and gains or losses on settlement, when a plan is amended, curtailed or settled ("the event"). Specifically, when determining the past service cost or gain or loss on settlement, the net defined benefit liability (asset) shall be remeasured using the current fair value of plan assets and current actuarial assumptions reflecting the benefits offered under the plan and plan assets both before and after the event. The effect of the asset ceiling shall not be considered in this exercise. The effect of the asset ceiling shall be determined after the event.

The amendment also specifies that when determining current service costs and net interest on the defined benefit liability (asset) in a period in which an amendment, curtailment or settlement occurs, to apply inputs at the beginning of the reporting period for the current service cost and interest up to the date of the event, and to apply inputs as at the date of the event to determine current service costs and interest for the remainder of the period.

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

It is unlikely that the amendment will have no material impact on the company's financial statements.

Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28

The amendment now requires that an entity also applies IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

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

It is unlikely that the amendment will have no material impact on the company's financial statements.

Prepayment Features with Negative Compensation - Amendment to IFRS 9

The amendment to Appendix B of IFRS 9 specifies that for the purpose of applying paragraphs B4.1.11(b) and B4.1.12(b), irrespective of the event or circumstance that causes the early termination of the contract, a party may pay or receive reasonable compensation for that early termination.

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

It is unlikely that the amendment will have no material impact on the company's financial statements.

Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle

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3. New Standards and Interpretations (continued)

The amendment clarifies that when a party to a joint arrangement obtains control of a business that is a joint operation, and had rights to the assets and obligations for the liabilities relating to that joint operation immediately before the acquisition date, the transaction is a business combination achieved in stages. The acquirer shall therefore apply the requirements for a business combination achieved in stages.

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

It is unlikely that the amendment will have no material impact on the company's financial statements.

Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment clarifies that if a party participates in, but does not have joint control of, a joint operation and subsequently obtains joint control of the joint operation (which constitutes a business as defined in IFRS 3) that, in such cases, previously held interests in the joint operation are not remeasured.

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

It is unlikely that the amendment will have no material impact on the company's financial statements.

Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that the income tax consequences on dividends are recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the events or transactions which generated the distributable reserves.

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

It is unlikely that the amendment will have a material impact on the company's financial statements.

Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle

The amendment specifies that when determining the weighted average borrowing rate for purposes of capitalising borrowing costs, the calculation excludes borrowings which have been made specifically for the purposes of obtaining a qualifying asset, but only until substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

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

It is unlikely that the amendment will have a material impact on the company's financial statements.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

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

The company has adopted the interpretation for the first time in the 2020 financial statements.

It is unlikely that the interpretation will have a material impact on the company's financial statements.

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:

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3. New Standards and Interpretations (continued)

- 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.

Company as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16

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3. New Standards and Interpretations (continued)

- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

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.

It is unlikely that the standard will have a material impact on the company's financial statements.

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Notes to the Financial Statements

4. Property, plant and equipment

	2019		2018	
	Cost	Accumulated Carrying value depreciation	Cost	Accumulated Carrying value depreciation
Furniture and fixtures	1 103 649	(509 288)	1 105 857	(341 927)
Computer equipment	544 472	(392 518)	462 771	(331 608)
Computer software	247 029	(235 766)	11 263	(213 810)
Leasehold improvements	915 682	(494 895)	915 682	(311 759)
Total	2 810 832	(1 632 467)	2 728 826	(1 199 104)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	763 930	-	(1)	(169 568)	594 361
Computer equipment	131 163	115 846	(6)	(95 049)	151 954
Computer software	30 706	2 513	-	(21 956)	11 263
Leasehold improvements	603 923	-	-	(183 136)	420 787
Total	1 529 722	118 359	(7)	(469 709)	1 178 365

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	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
Total	1 864 639	108 892	(1 483)	(442 326)	1 529 722

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5. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Dossiers and registration	28 729 343	-	28 729 343	28 756 048	-	28 756 048

Reconciliation of intangible assets - 2019

	Opening balance	Other movement*	Total
Dossiers and registration	28 756 048	(26 705)	28 729 343

Reconciliation of intangible assets - 2018

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

Individually material intangible assets

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

6. Other financial assets - Comparative information as per IAS 39

At fair value through profit or loss - held for trading

Other financial asset/(Liabilities) 597 936 (585 133)

Current assets

Held for trading (fair value through income) 597 936 (585 133)

7. Defined employee compensation

Employee benefits

Deferred employee benefit - (6 900 000)

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8. Deferred tax

Deferred tax asset

Prepayments	(38 189)	(62 711)
Lease smoothing	16 193	39 301
Provisions	3 671 603	4 659 819
Total deferred tax asset	3 649 607	4 636 409

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:

Deferred tax asset	3 649 607	4 636 409
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Reconciliation of deferred tax asset / (liability)

At beginning of year	4 636 409	4 629 368
Taxable / (deductible) temporary difference on lease	(23 108)	39 301
Taxable / (deductible) temporary difference on provisions	(988 216)	(4 977)
Taxable / (deductible) temporary difference on prepayments	24 522	(27 283)
	3 649 607	4 636 409

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

9. Inventories

Raw materials, components	192 636	147 345
Finished goods	59 099 474	59 709 934
	59 292 110	59 857 279
Provision for obsolete and slow moving stock	(6 444 491)	(3 727 661)
	52 847 619	56 129 618

10. Trade and other receivables

Financial instruments:

Trade receivables	76 460 491	62 873 077
Loss allowance	(1 636 627)	(1 598 699)
Trade receivables at amortised cost	74 823 864	61 274 378

Non-financial instruments:

SARS - VAT	-	1 809 629
Employee costs in advance	148 500	166 000
Prepayments	136 391	2 013 984
Total trade and other receivables	75 108 755	65 263 991

Split between non-current and current portions

Current assets	75 108 755	65 263 991
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Notes to the Financial Statements

10. Trade and other receivables (continued)

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	74 823 864	61 274 378
Non-financial instruments	284 891	3 989 613
	75 108 755	65 263 991

Trade and other receivables pledged as security

Trade and other receivables were pledged as security for overdraft facilities of the company. At year end the company did not have an overdraft.

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Reconciliation of loss allowances

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

Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	1 598 699	1 202 999
Opening balance in accordance with IFRS 9	(1 598 699)	(1 202 999)
Provision raised on new trade receivables	(37 928)	(395 700)
Closing balance	(1 636 627)	(1 598 699)

11. Cash and cash equivalents

Cash and cash equivalents consist of:

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Figures in Rand	2019	2018
11. Cash and cash equivalents (continued)		
Cash on hand	10 000	5 000
Bank balances	26 358 852	15 810 970
	26 368 852	15 815 970
Colleateral First Rand Limited Bank		
Cession of shareholders loan	3 150 000	3 150 000
Cession of debtors	75 108 755	65 263 991
Letter of undertaking or comfort	39 600 000	39 600 000
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
Cash and cash equivalents pledged as collateral		
Exposure to currency risk		
Rand amount		
Rand	26 368 852	15 815 970
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 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
13. Operating lease liability		
Current liabilities	57 833	140 362
14. Loans from shareholders		
Unique Pharmaceutical Laboratories FZE	3 150 000	3 150 000
The loan is interest free, has no fixed repayment terms. The carrying amount of the loan from shareholder is denominated in Rands.		
Cession of loan to shareholders have been pledged as security for an overdraft facility with First Rand Bank Limited.		
Split between non-current and current portions		
Current liabilities	3 150 000	3 150 000

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Figures in Rand 2019 2018

14. Loans from shareholders (continued)

Exposure to currency risk

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

Rand amount

Rand 3 150 000 3 150 000

15. Provisions

Reconciliation of provisions - 2019

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	992 613	155 779	(406 146)	742 246
Provision for bonuses	3 822 912	4 600 349	(4 124 272)	4 298 989
	4 815 525	4 756 128	(4 530 418)	5 041 235

Reconciliation of provisions - 2018

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for leave pay	694 998	416 582	(93 948)	(25 019)	992 613
Provision for bonuses	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

16. Trade and other payables

Financial instruments:

Trade payables 47 342 623 43 889 514
Other accrued expenses 3 343 143 3 092 717

Non-financial instruments:

SARS - VAT 450 151 -
51 135 917 46 982 231

Exposure to currency risk

Refer to note 30 Financial instruments and financial risk management for details of currency risk management for trade payables.

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

17. Revenue

Revenue from contracts with customers

Sale of pharmaceutical products 331 979 145 274 902 847

18. Cost of sales

Sale of pharmaceutical products 191 406 195 150 805 216

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Figures in Rand 2019 2018

19. Other operating income

Other income 2 504 403 1 746 293

20. Operating profit (loss)

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

Auditor's remuneration - internal **200 000** **175 578**

Professional fees

Consulting and professional services 6 993 773 7 259 826

Employee costs

Salaries, wages, bonuses and other benefits 27 331 131 26 486 134

Other short term costs 2 419 833 2 322 602

Retirement benefit plans: defined contribution expense 3 023 192 2 794 196

Total employee costs **32 774 156** **31 602 932**

Leases

Operating lease charges

Premises 937 557 1 084 706

Refer to note 26 commitments for additional details of operating leases.

Depreciation and amortisation

Depreciation of property, plant and equipment 469 709 442 327

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

Cost of sales 191 406 195 150 805 216

Employee costs 32 774 156 31 602 932

Operating lease charges 937 557 1 084 706

Depreciation, amortisation and impairment 469 709 442 327

Other expenses 82 329 307 73 724 507

307 916 924 **257 659 688**

21. Depreciation, amortisation and impairment losses

Depreciation

Property, plant and equipment 469 709 442 327

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Figures in Rand

	2019	2018
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22. Investment income

Interest income

Investments in financial assets:

Bank and other cash	1 652 886	1 143 454
Notional interest received	-	35 556
Total interest income	1 652 886	1 179 010

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to R 1 652 886 (2018: R 1 179 010).

23. Taxation

Major components of the tax expense

Current

Local income tax - current period	6 400 536	5 134 881
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Deferred

Originating and reversing temporary differences	986 802	(7 041)
	7 387 338	5 127 840

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	28 219 491	20 168 462
Tax at the applicable tax rate of 28% (2018: 28%)	7 901 457	5 647 169
Tax effect of adjustments on taxable income		
Charitable donations income	-	8 220
Prior year overprovision	(111 909)	(438 055)
Permanent difference	(402 211)	(89 483)
	7 387 337	5 127 851

24. Cash generated from operations

Profit before taxation	28 219 491	20 168 462
Adjustments for:		
Depreciation and amortisation	469 709	442 327
Interest income	(1 652 886)	(1 179 010)
Finance costs	19	-
Movements in retirement benefit assets and liabilities	(6 900 000)	-
Movements in provisions	225 710	1 853 469
Loss on write off of property, plant and equipment	26 714	1 482
Lease smoothening	82 530	140 362
Changes in working capital:		
Inventories	3 281 999	11 418 039
Trade and other receivables	(9 844 764)	(6 950 738)
Tax receivable	(1 295 170)	-
Deferred tax	1 130 109	(7 042)
Trade and other payables	4 153 688	(11 634 774)
	17 897 149	14 252 577

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25. Tax paid		
Balance at beginning of the year	(278 604)	878 407
Current tax for the year recognised in profit or loss	(6 400 536)	(5 134 881)
Adjustment in respect of deferred tax	-	7 041
Balance at end of the year	(1 016 566)	278 604
	(7 695 706)	(3 970 829)
26. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	1 171 475	1 082 087
- in second to fifth year inclusive	1 591 539	2 763 014
	2 763 014	3 845 101
Operating lease payments represent rentals payable by the company for its office properties. Rentals are fixed of five years. No contingent rent is payable.		
27. Contingencies		
The directors are not aware of any material contingencies at the reporting date.		
28. Related parties		
Relationships		
Ultimate holding company	J.B. Chemicals & Pharmaceuticals Limited	
Shareholders	Unique Pharmaceutical Laboratories FZE	
Members of key management	Shadrack Kosea Mapetla	
	Stewart Barker	
Related party balances		
Loan accounts - Owing (to) by related parties		
Unique Pharmaceutical Laboratories FZE	(3 150 000)	(3 150 000)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	(23 522 127)	(20 914 277)
Post importation testing balance in trade and other payables		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	(312 173)	-
Related party transactions		
Purchases from related parties		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	75 273 096	47 752 413
Post importation testing		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	395 597	-

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29. Directors' emoluments

No emoluments were paid to the non-executive directors during the year.

Executive

2019

	Basic salary	Bonus	Cellphone and travel allowance	Company contributions	Total
Barker S.G. (Director)	2 352 569	8 916 846	148 800	585 143	12 003 358

2018

	Basic salary	Bonus	Cellphone and travel allowance	Company contributions	Total
Barker S.G. (Director)	2 201 828	2 008 931	148 800	547 851	4 907 410

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30. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Notes	Amortised cost	Total	Fair value
Trade and other receivables	10	74 823 864	74 823 864	74 823 864
Cash and cash equivalents	11	26 368 852	26 368 852	26 368 852
		101 192 716	101 192 716	101 192 716

2018

	Notes	Amortised cost	Total	Fair value
Trade and other receivables	10	61 274 378	61 274 378	61 274 378
Cash and cash equivalents	11	15 815 970	15 815 970	-
		77 090 348	77 090 348	61 274 378

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Notes to the Financial Statements

30. Financial instruments and risk management (continued)

Categories of financial liabilities

2019

	Notes	Amortised cost	Total	Fair value
Trade and other payables	16	50 685 765	50 685 765	-
Loans from shareholders		3 150 000	3 150 000	-
Operating lease liability	13	57 833	57 833	-
		53 893 598	53 893 598	-

2018

	Notes	Amortised cost	Total	Fair value
Trade and other payables	16	46 982 228	46 982 228	-
Loans from shareholders		3 150 000	3 150 000	-
Operating lease liability	13	140 362	140 362	-
		50 272 590	50 272 590	-

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30. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2019

	Notes	Amortised cost	Total
Recognised in profit or loss: Interest income	22	1 652 886	1 652 886

2018

	Note(s)	Amortised cost	Total
Recognised in profit or loss: Interest income	22	1 179 010	1 179 010

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Notes to the Financial Statements

30. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2019

	Notes	Amortised cost	Total
Recognised in profit or loss:			
Finance costs		(19)	(19)

2018

Capital risk management

Operating lease liability	13	57 833	140 362
Loans from shareholders	14	3 150 000	3 150 000
Trade and other payables	16	51 135 916	46 982 228
Total borrowings		54 343 749	50 272 590
Cash and cash equivalents	11	(26 368 852)	(15 815 970)
Net borrowings		27 974 897	34 456 620
Equity		130 112 060	109 279 905
Gearing ratio		22 %	32 %

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30. Financial instruments and risk management (continued)

Financial risk management

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

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	10	76 460 491	(1 636 627)	74 823 864	62 873 077	(1 598 699)	61 274 378
Cash and cash equivalents	11	26 368 852	-	26 368 852	15 815 970	-	15 815 970
		102 829 343	(1 636 627)	101 192 716	78 689 047	(1 598 699)	77 090 348

Liquidity risk

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.

2019

		Carrying amount
Current liabilities		
Trade and other payables		50 685 765
Loans from shareholders	14	<u>3 150 000</u>

2018

		Carrying amount
Current liabilities		
Trade and other payables	16	46 982 228
Loans from shareholders	14	<u>3 150 000</u>

31. Hedging

Foreign currency exposure

The company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The company enters into forward foreign exchange contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions up to 6 months within 40% to 50% of the exposure generated. Basis adjustments are made to the initial carrying amounts of inventories when the anticipated purchases take place.

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32. 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.

33. Events after the reporting period

The directors are not aware of any material events after the reporting date.