Biotech Laboratories (Pty) Ltd
(Registration number 1990/007220/07)
Financial statements
for the year ended 31 March 2020
Issued 29 May 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Pharmaceutical products 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) Registered Auditors 1 Superior Road Halfway House Midrand 1685
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.

Contents

Published

29 May 2020

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 2021 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 page 6-9.

The financial statements set out on pages 10 to 47, which have been prepared on the going concern basis, were approved by the board on 29 May 2020 and were signed on their behalf by:

Approval of financial statements

Mapetla S.K (Chairman)

Mody N.S. (Director)

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 2020.

1. Incorporation

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

The company is domiciled in South Africa where it is incorporated as a private company limited by shares under the Companies Act 71 of 2008. The address of the registered office is set out on page 1.

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 and surrounding countries.

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 except for the adoption of new accounting standards. The accounting policies have been applied consistently compared to the prior year.

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

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 in the current financial year.

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

7. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had a direct interest and which significantly affected the business of the company. All directors are shareholders or senior managers in the ultimate holding company.

8. Holding company

The company's holding company is Unique Pharmaceutical Laboratories FZE which holds 95% (2019: 95%) of the company's equity. Unique Pharmaceutical Laboratories FZE is incorporated in Dubai, United Arab Emirates.

Directors' Report

9. Ultimate holding company

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

10. Events after the reporting period

As at the date of signing the annual financial statements, the entity was subjected to the circumstances of the Covid-19 pandemic and a National State of Disaster as declared by the South African Government on 15 March 2020. The stakeholders attention is drawn to the fact that the future impact on the economy in the short term is uncertain and thus an estimate of the financial impact on the business cannot be made at this point in time.

The directors are not aware of any other 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 2020 financial year.

13. Secretary

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

14. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on Friday, 29 May 2020. No authority was given to anyone to amend the financial statements after the date of issue.

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

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Independent Auditor's Report

To the Shareholders of Biotech Laboratories Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Biotech Laboratories Proprietary Limited set out on pages 10 to 46, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Biotech Laboratories Proprietary Limited as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Subsequent event: The impact of the uncertainty of COVID-19

We draw attention to Note 32 in the financial statements, which deals with subsequent events and specifically the possible effects of the future implications of COVID-19 on company's future prospects, performance and cashflows. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Biotech Laboratories Proprietary Limited Annual Financial Statements for the year ended 31 March 2020", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Audit tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co. (Jhb) Incorporated has been the auditor of Biotech Laboratories Proprietary Limited for 8 years.

Ngubane & Co

Ngubane and Company (Jhb) Incorporated
Edwin Chapanduka
Director
Registered Auditor
02 June 2020

Biotech Laboratories (Pty) Ltd

(Registration number 1990/007220/07)
Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

Figures in Rand	Notes	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	4	759 501	1 178 365
Right-of-use assets	5	1 376 685	-
Intangible assets	6	28 729 343	28 729 343
Deferred tax	8	2 118 598	3 649 607
		32 984 127	**33 557 315**
Current Assets			
Inventories	9	78 603 374	52 847 619
Trade and other receivables	10	75 065 323	75 108 755
Other financial assets	7	-	597 936
Current tax receivable		3 899 592	1 016 566
Cash and cash equivalents	11	38 020 184	26 368 852
		195 588 473	**155 939 728**
Total Assets		**228 572 600**	**189 497 043**
Equity and Liabilities			
Equity			
Share capital	12	27 598 116	27 598 116
Retained income		117 481 645	102 513 943
		145 079 761	**130 112 059**
Liabilities			
Non-Current Liabilities			
Lease liabilities	5&14	320 580	-
Current Liabilities			
Trade and other payables	16	75 583 359	51 135 916
Loans from shareholder	13	3 150 000	3 150 000
Lease liabilities	5&14	1 180 930	57 833
Provisions	15	3 257 970	5 041 235
		83 172 259	**59 384 984**
Total Liabilities		**83 492 839**	**59 384 984**
Total Equity and Liabilities		**228 572 600**	**189 497 043**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2020	2019
Revenue	17	352 138 798	331 979 145
Cost of sales	18	(221 848 614)	(191 406 195)
Gross profit		**130 290 184**	**140 572 950**
Other operating income	19	1 172 181	2 504 403
Other operating expenses		(113 271 562)	(116 510 729)
Operating profit	20	**18 190 803**	**26 566 624**
Investment income	22	2 389 435	1 652 886
Finance costs	23	(194 960)	(19)
Profit before taxation		**20 385 278**	**28 219 491**
Taxation	24	(5 417 576)	(7 387 338)
Profit for the year		**14 967 702**	**20 832 153**
Other comprehensive income		-	-
Total comprehensive income for the year		**14 967 702**	**20 832 153**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 April 2018	**4 701**	**27 593 415**	**27 598 116**	**81 681 790**	**109 279 906**
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 01 April 2019	**4 701**	**27 593 415**	**27 598 116**	**102 513 943**	**130 112 059**
Profit for the year	-	-	-	14 967 702	14 967 702
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**14 967 702**	**14 967 702**
Balance at 31 March 2020	**4 701**	**27 593 415**	**27 598 116**	**117 481 645**	**145 079 761**
Note	12	12	12		

Statement of Cash Flows

Figures in Rand	Notes	2020	2019
Cash flows from operating activities			
Cash generated from operations	25	16 638 699	17 897 149
Interest income		2 389 435	1 652 886
Finance costs		(194 960)	(19)
Tax paid	26	(6 769 593)	(7 695 706)
Net cash from operating activities		**12 063 581**	**11 854 310**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(33 664)	(118 359)
Movement in other financial assets		597 936	(1 183 069)
Net cash from investing activities		**564 272**	**(1 301 428)**
Cash flows from financing activities			
Net movement in lease liabilities (lessee)		(976 521)	-
Net cash from financing activities		**(976 521)**	-
Total cash movement for the year		**11 651 332**	**10 552 882**
Cash at the beginning of the year		26 368 852	15 815 970
Total cash at end of the year	11	**38 020 184**	**26 368 852**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

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 where stated otherwise.

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 allowance for expected credit losses 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 expected credit losses 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.

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 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.

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

Accounting Policies

1.3 Property, plant and equipment (continued)

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.

Item	Depreciation method	Average useful life
Dossiers	Infinite	Infinite

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

Accounting Policies

1.5 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 29 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.

1.5 Financial instruments (continued)

Trade and other receivables

Classification

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

Loss allowance

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.

Accounting Policies

1.5 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.

Borrowings and loans from related parties

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 (note 23).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 29 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 trade and other payables note (note 16).

1.5 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. Refer to note for details.

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) (note).

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 (note 23).

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 29).

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.

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.

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 and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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

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

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

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

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Accounting Policies

1.8 Leases (continued)

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 20) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 5 Leases (company as lessee).

Lease liability

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

Lease payments included in the measurement of the lease liability comprise the following:

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 5).

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 23).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Accounting Policies

1.8 Leases (continued)

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:
- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

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

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

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

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 a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

1.9 Leases (Comparatives under IAS 17)

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.

1.10 Inventories

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

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

Accounting Policies

1.11 Impairment of non-financial assets

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

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. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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.

1.12 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.

1.13 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.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.14 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.

Accounting Policies

1.14 Provisions and contingencies (continued)

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 are disclosed in note .

1.15 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.

Accounting Policies

1.15 Revenue from contracts with customers (continued)

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.

1.16 Cost of sales

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

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

1.17 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.

1.18 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.

Notes to the Financial Statements

2. Changes in accounting policy

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 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 01 April 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 April 2019.

Leases where company is lessee

Leases previously classified as operating leases

The company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 April 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Notes to the Financial Statements

Figures in Rand	2020	2019

2. Changes in accounting policy (continued)

Impact on financial statements

Heading	Carrying Amount at 31 Dec 2018	Adoptions of IFRS 16	Carrying amount under IFRS 16 at 1 January 2019
Right of use	-	2 478 032	2 478 032
Lease liabilities	-	2 478 032	2 478 032
Operating lease accruals	57 833	-	-
	57 833	**4 956 064**	**4 956 064**

Management do not have sufficient records relating to interest capitalised on plant and equipment to enable retrospective expensing of borrowing cost. For this reason the change in accounting policy is applied prospectively.

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:

IFRS 16 Leases

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

Company as lessee:

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

3. New Standards and Interpretations (continued)

- 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
- 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 impact of the standard is set out in note 2 Changes in Accounting Policy.

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 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2099	Unlikely there will be a material impact
• Definition of a business - Amendments to IFRS 3	01 January 2020	Unlikely there will be a material impact
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2021	Unlikely there will be a material impact

Notes to the Financial Statements

4. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1 110 170	(679 128)	431 042	1 103 649	(509 288)	594 361
IT equipment	544 472	(475 437)	69 035	544 472	(392 518)	151 954
Computer software	274 173	(252 402)	21 771	247 029	(235 766)	11 263
Leasehold improvements	915 682	(678 029)	237 653	915 682	(494 895)	420 787
Total	**2 844 497**	**(2 084 996)**	**759 501**	**2 810 832**	**(1 632 467)**	**1 178 365**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	594 361	6 521	(169 840)	431 042
Computer equipment	151 954	-	(82 919)	69 035
Computer software	11 263	27 143	(16 635)	21 771
Leasehold improvements	420 787	-	(183 134)	237 653
	1 178 365	**33 664**	**(452 528)**	**759 501**

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
	1 529 722	**118 359**	**(7)**	**(469 709)**	**1 178 365**

Notes to the Financial Statements

Figures in Rand	2020	2019

5. Leases (company as lessee)

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Buildings	1 376 685	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 20), as well as depreciation which has been capitalised to the cost of other assets.

Leasehold property	1 284 480	183 136

Lease liabilities

Lease liabilities have been included in the borrowings line item on the statement of financial position.

The maturity analysis of lease liabilities is as follows:

Within one year	1 180 930	-
Two to five years	320 580	-
	1 501 510	**-**
Non-current liabilities	320 580	-
Current liabilities	1 180 930	57 833
	1 501 510	**57 833**

Comparative information for lease liabilities under IAS 17

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17, and therefore only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table which follows:

Present value of minimum lease payments due		
- within 1 year		1 171 475
- in second to fifth year inclusive		1 591 539
		2 763 014

6. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	28 729 343	-	28 729 343	28 729 343	-	28 729 343

Figures in Rand	2020	2019

6. Intangible assets (continued)

Reconciliation of intangible assets - 2020

	Opening balance	Total
Patents, trademarks and other rights	28 729 343	28 729 343

Reconciliation of intangible assets - 2019

	Opening balance	Other changes, movements	Total
Patents, trademarks and other rights	28 756 048	(26 705)	28 729 343

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

	2020	2019
At fair value through profit or loss - held for trading		
Other financial asset 1	-	597 936
Terms and conditions		
Current assets		
Held for trading (fair value through income)	-	597 936

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2020 and 2019, as all the financial assets were disposed of at their redemption date.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The company does not hold any collateral as security.

Notes to the Financial Statements

Figures in Rand	2020	2019

8. Deferred tax

Deferred tax asset

Right of use asset	(385 472)	-
Lease liability	420 423	-
Prepayments	(233 221)	(38 189)
Provisions	2 316 868	3 671 603
Lease smoothing	-	16 193
Total deferred tax liability	**2 118 598**	**3 649 607**

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 liability	2 118 598	3 649 607

Reconciliation of deferred tax asset / (liability)

At beginning of year	3 649 607	4 636 409
Taxable / (deductible) temporary difference movement on lease right of use asset	(385 472)	-
Taxable / (deductible) temporary difference movement on lease assets	(16 193)	(23 108)
Taxable / (deductible) temporary difference on provision	(1 242 827)	(988 216)
Taxable / (deductible) temporary difference on Prepayments	(195 031)	24 522
Taxable / (deductible) temporary difference movement on lease liability	420 423	-
Prior year underprovision	(111 909)	-
	2 118 598	**3 649 607**

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	1 304 055	192 636
Finished goods	81 012 659	59 099 474
	82 316 714	59 292 110
Inventories (write-downs)	(3 713 340)	(6 444 491)
	78 603 374	**52 847 619**

Notes to the Financial Statements

Figures in Rand	2020	2019

10. Trade and other receivables

Financial instruments:		
Trade receivables	75 407 996	76 460 491
Loss allowance	(1 737 627)	(1 636 627)
Trade receivables at amortised cost	73 670 369	74 823 864
Non-financial instruments:		
VAT	432 296	-
Employee costs in advance	129 725	148 500
Prepayments (if immaterial)	832 933	136 391
Total trade and other receivables	**75 065 323**	**75 108 755**

Split between non-current and current portions

Current assets	75 065 323	75 108 755

Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	73 670 369	74 823 864
Non-financial instruments	1 394 954	284 891
	75 065 323	**75 108 755**

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 had no 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The possible effects of COVID-19 disclosed under subsequent events were considered. There is no significant change in the assessment of credit risk.

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:

Notes to the Financial Statements

Figures in Rand	2020	2019

10. Trade and other receivables (continued)

Reconciliation of loss allowances

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

Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	-	1 598 699
Opening balance in accordance with IFRS 9	**(1 636 627)**	**(1 598 699)**
Provision raised on new trade receivables	(101 000)	(37 928)
Closing balance	**(1 737 627)**	**(1 636 627)**

Exposure to currency risk

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

Rand	73 670 369	74 823 864

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 000	10 000
Bank balances	38 010 184	26 358 852
	38 020 184	**26 368 852**

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.

Collateral Frist Rand Limited Bank

Credit rating		
Cession of shareholders loan	-	3 150 000
Cession of debtors	75 065 323	75 108 755
Letter of undertaking or comfort	39 600 000	39 600 000

Cash and cash equivalents pledged as security

Exposure to currency risk

Rand	38 020 184	26 368 852

Notes to the Financial Statements

Figures in Rand	2020	2019

12. Share capital

Authorised		
5 000 000 Ordinary shares of xone tenth of a cent each	5 000	5 000
5 000 000 Non redemable 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. Loans from shareholder

Unique Pharmaceutical Laboratories FZE The loan is interest free, has no fixed repayment terms. The carrying amount of the loan from shareholder is denominated in Rands	3 150 000	3 150 000

Split between non-current and current portions

Current liabilities	3 150 000	3 150 000

Exposure to currency risk

The net carrying amounts, in Rand, of loans from shareholders are denominated in the following currencies.

Rand	3 150 000	3 150 000

14. Lease liabilities

Minimum lease payments due		
- within one year	1 268 296	-
- in second to fifth year inclusive	323 244	-
	1 591 540	-
less: future finance charges	(90 030)	-
Present value of minimum lease payments	**1 501 510**	**-**
Present value of minimum lease payments due		
- within one year	1 180 930	-
- in second to fifth year inclusive	320 580	-
	1 501 510	**-**
Non-current liabilities	320 580	-
Current liabilities	1 180 930	57 833
	1 501 510	**57 833**

Notes to the Financial Statements

Figures in Rand	2020	2019

15. Provisions

Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	742 246	22 245	(59 302)	705 189
Provision for bonuses	4 298 989	2 112 741	(3 858 949)	2 552 781
	5 041 235	**2 134 986**	**(3 918 251)**	**3 257 970**

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**

16. Trade and other payables

	2020	2019
Financial instruments:		
Trade payables	71 284 321	47 342 622
Other accrued expenses	4 299 038	3 343 143
Non-financial instruments:		
VAT	-	450 151
	75 583 359	**51 135 916**

Exposure to currency risk

Refer to note 29 Financial instruments and financial risk management for details of currency risk management for trade payables.

17. Revenue

	2020	2019
Revenue from contracts with customers		
Sale of pharmaceutical products	352 138 798	331 979 145

18. Cost of sales

	2020	2019
Sale of pharmaceutical products	221 848 614	191 406 195

19. Other operating income

	2020	2019
Other income	1 172 181	2 504 403

20. Operating profit (loss)

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

	2020	2019
Auditor's remuneration - External	**238 483**	**200 000**
Remuneration, other than to employees		
Consulting and professional services	4 643 219	6 989 974

Notes to the Financial Statements

Figures in Rand	2020	2019

20. Operating profit (loss) (continued)

Employee costs

Salaries, wages, bonuses and other benefits	23 261 152	27 331 131
Other short term costs	2 117 350	2 419 833
Retirement benefit plans: defined contribution expense	2 928 699	3 023 192
Total employee costs	**28 307 201**	**32 774 156**

Leases

Operating lease charges		
Premises	-	937 557

Depreciation and amortisation		
Depreciation of property, plant and equipment	452 528	469 709
Depreciation of right-of-use assets	1 101 347	-
Total depreciation and amortisation	**1 553 875**	**469 709**

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:

Changes in inventories of finished goods and work in progress	221 848 614	191 406 195
Employee costs	28 307 201	32 774 156
Lease expenses	-	937 557
Depreciation, amortisation and impairment	1 553 875	469 709
Other expenses	83 410 486	82 329 308
Undefined Difference	-	**(1)**
	335 120 176	**307 916 925**

21. Depreciation, amortisation and impairment losses

Depreciation		
Property, plant and equipment	452 528	469 709
Right-of-use assets	1 101 347	-
	1 553 875	**469 709**

22. Investment income

Interest income		
Investments in financial assets:		
Bank and other cash	2 389 435	1 652 886

23. Finance costs

Other interest paid	194 960	19

Notes to the Financial Statements

Figures in Rand	2020	2019

24. Taxation

Major components of the tax expense

Current		
Local income tax - current period	3 886 567	6 400 536
Deferred		
Originating and reversing temporary differences	1 531 009	986 802
	5 417 576	**7 387 338**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	20 385 278	28 219 491
Tax at the applicable tax rate of 28% (2019: 28%)	5 707 878	7 901 457
Tax effect of adjustments on taxable income		
Prior year overprovision	111 909	(111 909)
Permanent differences	(402 211)	(402 211)
	5 417 576	**7 387 337**

25. Cash generated from operations

Profit before taxation	20 385 278	28 219 491
Adjustments for:		
Depreciation and amortisation	1 553 875	469 709
Interest income	(2 389 435)	(1 652 886)
Finance costs	194 960	19
Movements in bonus provision	-	(6 900 000)
Movements in provisions	(1 783 265)	225 710
Loss on write-off of property, plant and equipment	-	26 714
Lease smoothing	(57 833)	82 530
Changes in working capital:		
Inventories	(25 755 755)	3 281 999
Trade and other receivables	43 432	(9 844 764)
Trade and other payables	24 447 442	4 153 688
Tax receivable	-	(1 295 170)
Deferred tax	-	1 130 109
	16 638 699	**17 897 149**

26. Tax paid

Balance at beginning of the year	1 016 566	(278 604)
Current tax for the year recognised in profit or loss	(3 886 567)	(6 400 536)
Balance at end of the year	(3 899 592)	(1 016 566)
	(6 769 593)	**(7 695 706)**

Notes to the Financial Statements

Figures in Rand	2020	2019

27. Related parties

Relationships	
Ultimate holding company	J.B. Chemicals & Pharmaceuticals Limited
Shareholders	Unique Pharmaceutical Laboratories FZE
	Shadrack Kosea Mapetla
Members of key management	Stewart Barker

Related party balances

	2020	2019
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	(42 525 910)	(23 522 127)
Post importation testing balance in trade and other payables		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	(510 835)	(312 173)

Related party transactions

	2020	2019
Purchases from (sales to) related parties		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	98 412 247	75 273 096
Post implementation testing		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	124 871	395 597
Consulting fees		
Unique Pharmaceutical Laboratories a division of J.B. Chemicals & Pharmaceuticals Limited	2 039 334	2 068 100

28. Directors' emoluments

Executive

2020

	Basic salary	Bonus	Travel allowance	Company Contributions	Total
Barker S.G. (Director)	2 572 745	3 021 949	144 000	510 655	6 249 349

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

Notes to the Financial Statements

29. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2020

	Notes	Amortised cost	Total	Fair value
Trade and other receivables	10	73 670 369	73 670 369	73 670 369
Cash and cash equivalents	11	38 020 184	38 020 184	38 020 184
		111 690 553	**111 690 553**	**111 690 553**

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**

29. Financial instruments and risk management (continued)

Categories of financial liabilities

2020

	Notes	Amortised cost	Leases	Total	Fair value
Trade and other payables	16	75 583 359	-	75 583 359	-
Loans from shareholders		3 150 000	-	3 150 000	-
Finance lease obligations	5&14	-	1 501 510	1 501 510	-
		78 733 359	**1 501 510**	**80 234 869**	**-**

2019

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	16	51 135 916	-	51 135 916	-
Loans from shareholders		3 150 000	-	3 150 000	-
Finance lease obligations	5&14	-	57 833	57 833	-
		54 285 916	**57 833**	**54 343 749**	**-**

Notes to the Financial Statements

Figures in Rand	2020	2019

29. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	22	2 389 435	2 389 435

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	22	1 652 886	1 652 886

29. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	23	(194 960)	(194 960)

2019

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	23	(19)	(19)

Capital risk management

	Note(s)	2020	2019
Loans from shareholders	13	3 150 000	3 150 000
Lease liabilities	14	1 501 510	57 833
Trade and other payables	16	75 583 359	51 135 916
Total borrowings		**80 234 869**	**54 343 749**
Cash and cash equivalents	11	(38 020 184)	(26 368 852)
Net borrowings		**42 214 685**	**27 974 897**
Equity		145 079 761	130 112 059
Gearing ratio		29 %	22 %

29. 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:

		2020			2019		
		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	75 407 996	(1 737 627)	73 670 369	76 460 491	(1 636 627)	74 823 864
Cash and cash equivalents	11	38 020 184	-	38 020 184	26 368 852	-	26 368 852
		113 428 180	**(1 737 627)**	**111 690 553**	**102 829 343**	**(1 636 627)**	**101 192 716**

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.

2020

		Carrying amount
Non-current liabilities		
Lease liabilities	14	320 580
Current liabilities		
Trade and other payables	14	75 583 359
Loans from shareholders	13	3 150 000
Lease liabilities	14	1 180 930
		(80 234 869)

2019

		Carrying amount
Current liabilities		
Trade and other payables	16	51 135 916
Loans from shareholders	13	3 150 000
		(54 285 916)

Notes to the Financial Statements

30. 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.

31. 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.

32. Events after the reporting period

As at the date of signing the annual financial statements, the entity was subjected to the circumstances of the Covid-19 pandemic and a National State of Disaster as declared by the South African Government on 15 March 2020. The stakeholders attention is drawn to the fact that the future impact on the economy in the short term is uncertain and thus an estimate of the financial impact on the business cannot be made at this point in time.

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