Biotech Laboratories (Pty) Ltd
(Registration number 1990/007220/07)
Financial statements
for the year ended 31 March 2021
Issued 06 May 2021

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) Barker S.G. (Director) Singh P.K. (Director) Chopra N.A.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 Gauteng 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

06 May 2021

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 2022 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 06 May 2021 and were signed on their behalf by:

Approval of financial statements

Mapetla S.K. (Chairman)	x **Chopra N.A.K. (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 2021.

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 sells to neighbouring 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	Changes
Mapetla S.K. (Chairman)	Chairperson	Non-executive	South African	
Mody P.D. (Director)	Director	Non-executive	Indian and Non Resident	Resigned, 11 September 2020
Mehta B.P. (Director)	Director	Non-executive	Indian and Non Resident	Resigned, 11 September 2020
Mody N.S. (Director)	Director	Non-executive	Indian and Non Resident	Resigned, 30 October 2020
Barker S.G. (Director)	Chief Executive Officer	Executive	South African	
Mehta J.B. (Director)	Director	Non-executive	Indian and Non Resident	Resigned, 11 September 2020
Singh P.K. (Director)	Director	Non-executive	Indian and Non Resident	
Chopra N.A.K. (Director)	Director	Non-executive	Indian and Non Resident	Appointed, 11 October 2020

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. The directors who resigned during the year were all senior managers in the ultimate holding company. Mr N.A.K Chopra is a director of the ultimate holding company.

Directors' Report

8. Ultimate holding company

The company's holding company is Unique Pharmaceutical Laboratories FZE which holds 95% (2020: 95%) of the company's equity. Unique Pharmaceutical Laboratories FZE is incorporated in Dubai, United Arab Emirates, which in turn is wholly owned subsidiary of J.B. Chemicals & Pharmaceuticals Limited which is incorporated in Mumbai, India.

9. Events after the reporting period

The directors have considered the impact of covid-19 post year-end and are satisfied that there is no material impact on the entity's operations and financial information reported 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.

The directors are not aware of any 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 any pending changes to legilation which may affect the company.

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

10. Going concern

The directors believe that the company has adequate and access to 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 have assesed the impact of covid-19 on the entity's operations and performance in assessing the ability to continue operating in future. The operations were not significantly affected by the covid-19 pandemic. 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.

11. Auditors

Ngubane & Co. (Jhb) Inc continued in office as auditors for the company for 2021 financial year.

12. Secretary

The company had no secretary during the year, but all secretarial work was performed by S.G. Barker: BCompt, CA(SA), MBL.

13. Date of authorisation for issue of financial statements

The financial statements have been authorised for issue by the directors on Thursday, 06 May 2021. No authority was given to anyone to amend the financial statements after the date of issue.

Independent Auditor's Report

To the Shareholders of Biotech Laboratories Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Biotech Laboratories Proprietary Limited (the company) set out on pages 10 to 47, which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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 31March 2021", 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.

Report on Other Legal and Regulatory Requirements

Audit tenure

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co (JHB) Inc. has been the auditor of Biotech Laboratories Proprietary Limited for 9 years.

Ngubane & Co.

Ngubane and company (JHB) Incorporated
Edwin Chapanduka
Director
Registered Auditor

14 May 2021

Statement of Financial Position as at 31 March 2021

Figures in Rand	Notes	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	4	399 223	759 501
Right-of-use assets	5	275 337	1 376 685
Intangible assets	6	28 456 236	28 729 343
Deferred tax	7	2 554 992	2 118 598
		31 685 788	**32 984 127**
Current Assets			
Inventories	8	117 454 201	78 603 374
Trade and other receivables	9	111 929 632	75 065 323
Current tax receivable		-	3 899 592
Cash and cash equivalents	10	135 460	38 020 184
		229 519 293	**195 588 473**
Total Assets		**261 205 081**	**228 572 600**
Equity and Liabilities			
Equity			
Share capital	11	27 598 117	27 598 117
Retained income		143 154 375	117 481 645
		170 752 492	**145 079 762**
Liabilities			
Non-Current Liabilities			
Lease liabilities	5&13	-	320 580
Current Liabilities			
Trade and other payables	15	65 101 970	75 583 358
Loans from shareholder	12	3 150 000	3 150 000
Lease liabilities	5&13	320 580	1 180 930
Current tax payable		3 786 981	-
Provisions	14	5 499 992	3 257 970
Bank overdraft	10	12 593 066	-
		90 452 589	**83 172 258**
Total Liabilities		**90 452 589**	**83 492 838**
Total Equity and Liabilities		**261 205 081**	**228 572 600**

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Notes	2021	2020
Revenue	16	477 189 332	352 138 798
Cost of sales	17	(304 601 517)	(221 848 614)
Gross profit		**172 587 815**	**130 290 184**
Other operating income	18	59 569	1 172 181
Other operating expenses		(138 071 136)	(113 271 562)
Operating profit	19	**34 576 248**	**18 190 803**
Investment income	21	607 199	2 389 435
Finance costs	22	(84 044)	(194 960)
Profit before taxation		**35 099 403**	**20 385 278**
Taxation	23	(9 426 671)	(5 417 576)
Profit for the year		**25 672 732**	**14 967 702**
Other comprehensive income		-	-
Total comprehensive income for the year		**25 672 732**	**14 967 702**

Statement of Changes in Equity

Figures in Rand	Share capital	Share premium	Total share capital	Retained income	Total equity
Balance at 01 April 2019	**4 701**	**27 593 416**	**27 598 117**	**102 513 943**	**130 112 060**
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 01 April 2020	**4 701**	**27 593 416**	**27 598 117**	**117 481 643**	**145 079 760**
Profit for the year	-	-	-	25 672 732	25 672 732
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**25 672 732**	**25 672 732**
Balance at 31 March 2021	**4 701**	**27 593 416**	**27 598 117**	**143 154 375**	**170 752 492**
Note	11	11	11		

Statement of Cash Flows

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Cash (used in)/generated from operations	24	(47 159 415)	16 638 699
Interest income		607 199	2 389 435
Finance costs		(84 044)	(194 960)
Tax paid	25	(2 176 492)	(6 769 593)
Net cash from operating activities		**(48 812 752)**	**12 063 581**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(67 108)	(33 664)
Purchase of other intangible assets	6	(417 000)	-
Movement in other financial assets		-	597 936
Net cash from investing activities		**(484 108)**	**564 272**
Cash flows from financing activities			
Net movement in lease liabilities (lessee)		(1 180 930)	(976 521)
Net cash from financing activities		**(1 180 930)**	**(976 521)**
Total cash movement for the year		**(50 477 790)**	**11 651 332**
Cash at the beginning of the year		38 020 184	26 368 852
Total cash at end of the year	10	**(12 457 606)**	**38 020 184**

Accounting Policies

1. Significant accounting policies

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

1.1 Basis of preparation

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

The financial statements have been prepared on the historic cost 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:

Significant judgement utilised to determine control on agency-principal relationship

The entity has applied the principles of IFRS 15.B34 to B37 in assessing the certain business relationship in assessing control in revenue recognition. Terms and conditions of certain contracts were assessed to confirm if the following control assessment criterial lies with Biotech Laboratories (Pty) Ltd:

- The primarily responsible for fulfilling the promise to provide the specified good or service;
- The inventory risk before the specified good or service has been transferred to a customer; and
- The discretion in establishing the price for the specified good or service lies with the entity.

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.

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 14.

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.

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 statement of profit or loss and other comprehensive income 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	Shorter of 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.

Accounting Policies

1.3 Property, plant and equipment (continued)

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

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

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

1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

Accounting Policies

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 9).

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 21).

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. A simplified method has been utilised in the assessment of the loss allowance.

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. The impact of Covid-19 has been considered in the assessment.

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 9.

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, if any is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 19).

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 15), 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 22).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 28 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 15).

Accounting Policies

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.

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 22).

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 28).

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.

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;

1.6 Hedge accounting (continued)

- 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.

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.

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.

Accounting Policies

1.7 Tax (continued)

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, 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 19) 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 22).

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 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.

1.10 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:

Accounting Policies

1.10 Impairment of non-financial assets (continued)

- 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.

1.11 Share capital and equity

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

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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 .

1.14 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and in compliance with legislated pricing in the various regulated markets. The entity recognises revenue when it transfers control over a good and monthly as the services are performed. Medicine prices charged are regulated. Fee per medicine per script is indicated in the contract.

The company recognises revenue from the following source:

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

Sale of Pharmaceutical goods

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

The entity evaluates the following control indicators among others when determining whether it is acting as a principal or agent in the transactions with customers and recording revenue on a net basis:
- the entity is primarily responsible for fulfilling the promise to provide the specified goods or service;
- the entity has inventory risk before the specified good or service has been transferred to a customer or after transfer of control to the customer; and
- the entity has discretion in establishing the price for the specified good or service, excluding pricing set according to regulations.

1.15 Cost of sales

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

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

1.16 Borrowing costs

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. Other borrowing costs are expensed.

Accounting Policies

1.17 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

Notes to the Financial Statements

Figures in Rand	2021	2020

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.

3. New Standards and Interpretations

3.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2021 or later periods:

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company expects to adopt the amendment for the first time in the 2024 financial statements.

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

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1

A subsidiary that uses the cumulative translation differences exemption, may elect in its financial statements, to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9

The amendment concerns fees in the '10 per cent' test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

3. New Standards and Interpretations (continued)

Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16

The amendment relates to examples of items which are included in the cost of an item of property, plant and equipment. Prior to the amendment, the costs of testing whether the asset is functioning properly were included in the cost of the asset after deducting the net proceeds of selling any items which were produced during the test phase. The amendment now requires that any such proceeds and the cost of those items must be included in profit or loss in accordance with the related standards. Disclosure of such amounts in now specifically required.

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37

The amendment defined the costs that are included in the cost of fulfilling a contract when determining the amount recognised as an onerous contract. It specifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These are both the incremental costs of fulfilling the contract as well as an allocation of other costs that relate directly to fulfilling contracts (for example depreciation allocation).

The effective date of the company is for years beginning on or after 01 January 2022.

The company expects to adopt the amendment for the first time in the 2023 financial statements.

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

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

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

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

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

Notes to the Financial Statements

3. New Standards and Interpretations (continued)

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

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The company expects to adopt the amendment for the first time in the 2022 financial statements.

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

Notes to the Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1 110 170	(848 866)	261 304	1 110 170	(679 128)	431 042
IT equipment	575 766	(534 344)	41 422	544 472	(475 437)	69 035
Computer software	205 341	(186 478)	18 863	274 173	(252 402)	21 771
Leasehold improvements	934 070	(856 436)	77 634	915 682	(678 029)	237 653
Total	**2 825 347**	**(2 426 124)**	**399 223**	**2 844 497**	**(2 084 996)**	**759 501**

Notes to the Financial Statements

Figures in Rand	2021	2020

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	431 042	-	-	(169 738)	261 304
Computer equipment	69 035	31 294	-	(58 907)	41 422
Computer software	21 771	17 426	(19)	(20 315)	18 863
Leasehold improvements	237 653	18 388	-	(178 407)	77 634
	759 501	**67 108**	**(19)**	**(427 367)**	**399 223**

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**

Property, plant and equipment fully depreciated still in use

The assets that are fully depreciated and in use were R658 387 (2020: R548 729).

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 as follows:

	2021	2020
Buildings-right of use asset cost	2 478 032	2 478 032
Accumulated depreciation	(2 202 695)	(1 101 347)
	275 337	**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 19), as well as depreciation which has been capitalised to the cost of other assets.

	2021	2020
Leasehold property	1 101 347	1 284 480

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5. Leases (company as lessee) (continued)

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	323 244	1 268 296
Two to five years	-	323 244
	323 244	1 591 540
Less finance charges component	(2 664)	(90 030)
	320 580	**1 501 510**

Non-current liabilities	-	320 580
Current liabilities	320 580	1 180 930
	320 580	**1 501 510**

6. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Dossiers registered	27 271 794	-	27 271 794	27 796 019	-	27 796 019
Dossiers in registration	1 184 442	-	1 184 442	933 324	-	933 324
Total	**28 456 236**	**-**	**28 456 236**	**28 729 343**	**-**	**28 729 343**

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Write-off	Total
Dossiers registered	27 796 019	-	(524 225)	27 271 794
Dossiers in registration	933 324	417 000	(165 882)	1 184 442
	28 729 343	**417 000**	**(690 107)**	**28 456 236**

Reconciliation of intangible assets - 2020

	Opening balance	Write-off	Total
Dossiers registered	27 809 371	(13 352)	27 796 019
Dossiers in registration	946 677	(13 353)	933 324
	28 756 048	**(26 705)**	**28 729 343**

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7. Deferred tax

Deferred tax asset

Right of use asset	(77 094)	(385 472)
Lease liability	89 762	420 423
Prepayments	(217 936)	(233 221)
Provisions	2 760 261	2 316 868
Total deferred tax asset	**2 554 993**	**2 118 598**

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

Deferred tax asset	2 554 993	2 118 598

Reconciliation of deferred tax asset / (liability)

At beginning of year	2 118 598	3 649 607
Taxable / (deductible) temporary difference movement on prepayments	308 378	(385 472)
Taxable / (deductible) temporary difference movement on lease assets	-	(16 193)
Taxable / (deductible) temporary difference on provision	443 392	(1 242 827)
Taxable / (deductible) temporary difference on lease smoothing	15 286	(195 031)
Taxable / (deductible) temporary difference movement on right of use assets	(330 661)	420 423
Prior year underprovision	-	(111 909)
	2 554 993	**2 118 598**

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.

8. Inventories

Raw materials, components	1 818 114	1 304 055
Finished goods	118 032 688	81 012 659
	119 850 802	82 316 714
Provision for obsolete and slow-moving stock	(2 396 601)	(3 713 340)
	117 454 201	**78 603 374**

Reconciliation of provision for obsolete and slow moving stock

Opening balance	3 713 340	6 444 491
Less: Inventory written-off	(4 115 642)	(2 445 912)
Change in provision	2 798 903	(285 239)
Closing balance	**2 396 601**	**3 713 340**

Notes to the Financial Statements

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9. Trade and other receivables

Financial instruments:		
Trade receivables	108 559 211	75 407 996
Loss allowance	(2 615 309)	(1 737 627)
Trade receivables at amortised cost	105 943 902	73 670 369
Non-financial instruments:		
VAT	3 064 149	432 296
Employee costs in advance	112 000	129 725
Prepayments	2 809 581	832 933
Total trade and other receivables	**111 929 632**	**75 065 323**

Split between non-current and current portions

Current assets	111 929 632	75 065 323

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

At amortised cost	105 943 902	73 670 369
Non-financial instruments	5 985 730	1 394 954
	111 929 632	**75 065 323**

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 an overdraft.

Exposure to credit risk

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

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

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

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:

9. 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:

Balance	(2 615 309)	(1 737 627)
Opening balance in accordance with IFRS 9	**(1 737 627)**	**(1 636 627)**
Provision raised	(877 682)	(101 000)
Closing balance	**(2 615 309)**	**(1 737 627)**

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 Amount		
Rand	105 943 902	73 670 369

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10 000	10 000
Bank balances	125 460	38 010 184
Bank overdraft	(12 593 066)	(165)
	(12 457 606)	**38 020 019**
Current assets	135 460	38 020 349
Current liabilities	(12 593 066)	(165)
	(12 457 606)	**38 020 184**

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 First Rand Bank Limited

Cession of debtors	109 898 395	75 065 323
Letter of undertaking or comfort	39 600 000	39 600 000

Exposure to currency risk

Rand amount		
Rand	(12 457 606)	38 020 184

Notes to the Financial Statements

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11. Share capital

Authorised		
5 000 000 Ordinary shares of one 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	27 593 416	27 593 416
	27 598 117	**27 598 117**

12. 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 amount		
Rand	3 150 000	3 150 000

13. Lease liabilities

Minimum lease payments due		
- within one year	323 244	1 268 296
- in second to fifth year inclusive	-	323 244
	323 244	1 591 540
less: future finance charges	(2 664)	(90 030)
Present value of minimum lease payments	**320 580**	**1 501 510**
Present value of minimum lease payments due		
- within one year	320 580	1 180 930
- in second to fifth year inclusive	-	320 580
	320 580	**1 501 510**
Non-current liabilities	-	320 580
Current liabilities	320 580	1 180 930
	320 580	**1 501 510**

Notes to the Financial Statements

Figures in Rand	2021	2020

14. Provisions

Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Total
Provision for leave pay	705 189	391 814	(3 038)	1 093 965
Provision for bonuses	2 552 781	6 450 227	(4 596 981)	4 406 027
	3 257 970	**6 842 041**	**(4 600 019)**	**5 499 992**

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**

15. Trade and other payables

	2021	2020
Financial instruments:		
Trade payables	56 341 762	71 284 320
Other accrued expenses	8 760 208	4 299 038
	65 101 970	**75 583 358**

Exposure to currency risk

Refer to note 28 Financial instruments and financial risk management for details of currency risk management for trade payables.

16. Revenue

	2021	2020
Revenue from contracts with customers		
Sale of pharmaceutical products	477 189 332	352 138 798

17. Cost of sales

	2021	2020
Sale of goods	304 601 517	221 848 614

18. Other operating income

	2021	2020
Other income	59 569	1 172 181

19. Operating profit (loss)

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

	2021	2020
Auditor's remuneration - External	**260 020**	**238 483**

	2021	2020
Remuneration, other than to employees		
Consulting and professional services	8 046 251	4 643 219

Depreciation and amortisation

Notes to the Financial Statements

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19. Operating profit (loss) (continued)

Depreciation of property, plant and equipment	427 367	452 528
Depreciation of right-of-use assets	1 101 347	1 101 347
Write-off of intangible assets	690 107	-
Total depreciation and amortisation	**2 218 821**	**1 553 875**

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	304 601 517	221 848 614
Employee costs	33 623 274	28 307 201
Depreciation, amortisation and impairment	1 528 714	1 553 875
Other expenses	102 229 041	83 410 486
Write-off of intangible assets	690 107	-
	442 672 653	**335 120 176**

20. Depreciation, amortisation and impairment losses

Depreciation		
Property, plant and equipment	427 367	452 528
Right-of-use assets	1 101 347	1 101 347
	1 528 714	**1 553 875**
Write-off		
Intangible assets	690 107	-
Total depreciation, amortisation and impairment		
Depreciation	1 528 714	1 553 875
Write-off	690 107	-
	2 218 821	**1 553 875**

21. Investment income

Interest income		
Investments in financial assets:		
Bank and other cash	576 444	2 389 435
SARS interest received	30 755	-
Total interest income	**607 199**	**2 389 435**

22. Finance costs

Other interest paid	84 044	194 960

Notes to the Financial Statements

Figures in Rand	2021	2020

23. Taxation

Major components of the tax expense

	2021	2020
Current		
Local income tax - current period	9 863 065	3 886 567
Deferred		
Originating and reversing temporary differences	(436 394)	1 531 009
	9 426 671	**5 417 576**

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	2021	2020
Accounting profit	35 099 403	20 385 278
Tax at the applicable tax rate of 28% (2020: 28%)	9 827 833	5 707 878
Tax effect of adjustments on taxable income		
Prior year underprovision	-	111 909
Deferred tax effect income	(401 162)	(402 211)
	9 426 671	**5 417 576**

24. Cash (used in)/generated from operations

	2021	2020
Profit before taxation	35 099 403	20 385 278
Adjustments for:		
Depreciation and amortisation	1 528 714	1 553 875
Losses on disposals, scrappings and settlements of assets and liabilities	19	-
Write-off of intangible assets	690 107	-
Interest income	(607 199)	(2 389 435)
Finance costs	84 044	194 960
Movements in provisions	2 242 022	(1 783 265)
Other non-cash items	-	(57 833)
Changes in working capital:		
Inventories	(38 850 827)	(25 755 755)
Trade and other receivables	(36 864 309)	43 432
Trade and other payables	(10 481 389)	24 447 442
	(47 159 415)	**16 638 699**

25. Tax paid

	2021	2020
Balance at beginning of the year	3 899 592	1 016 566
Current tax for the year recognised in profit or loss	(9 863 065)	(3 886 567)
Balance at end of the year	3 786 981	(3 899 592)
	(2 176 492)	**(6 769 593)**

Notes to the Financial Statements

Figures in Rand	2021	2020

26. Related parties

Relationships	
Ultimate holding company	J.B. Chemicals & Pharmaceuticals Limited
Holding company	Unique Pharmaceutical Laboratories FZE
Members of key management	Barker S.G.

Related party balances

	2021	2020
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	(22 707 835)	(42 525 910)
Post importation testing balance in trade and other payables		
Unique Pharmaceutical Laboratories a division of J.B Chemicals & Pharmaceuticals	-	(510 835)
Consulting fees balance in trade and other payables		
Unique Pharmaceutical Laboratories a division of J.B Chemicals & Pharmaceuticals	(1 974 330)	-

Related party transactions

	2021	2020
Purchases from (sales to) related parties		
Unique Pharmaceutical Laboratories a division of J.B Chemicals & Pharmaceuticals	142 579 832	98 412 247
Post implementation testing		
Unique Pharmaceutical Laboratories a division of J.B Chemicals & Pharmaceuticals	104 911	124 871
Consulting fees		
Unique Pharmaceutical Laboratories a division of J.B Chemicals & Pharmaceuticals	5 060 314	2 039 334

27. Directors' emoluments

Executive

2021

	Emoluments	Bonus	Travel Allowance	Company contributions	Total
Barker S.G. (Director)	2 756 202	1 500 000	144 000	550 641	4 950 843

2020

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

No directors emoluments were paid to other directors as they are non-executive directors. Refer to note 6 on the directors' report.

Notes to the Financial Statements

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28. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	9	105 943 902	105 943 902	105 943 902

2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	9	73 670 369	73 670 369	73 670 369
Cash and cash equivalents	10	38 020 184	38 020 184	38 020 184
		111 690 553	**111 690 553**	**111 690 553**

Notes to the Financial Statements

Figures in Rand	2021	2020

28. Financial instruments and risk management (continued)

Categories of financial liabilities

2021

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	15	65 101 968	-	65 101 968
Loans from shareholders		3 150 000	-	3 150 000
Finance lease obligations	5&13	-	320 580	320 580
Bank overdraft	10	12 593 006	-	12 593 006
		80 844 974	**320 580**	**81 165 554**

2020

	Note(s)	Amortised cost	Leases	Total
Trade and other payables	15	75 583 359	-	75 583 359
Loans from shareholders		3 150 000	-	3 150 000
Finance lease obligations	5&13	-	1 501 510	1 501 510
		78 733 359	**1 501 510**	**80 234 869**

28. Financial instruments and risk management (continued)

Pre tax gains and losses on financial instruments

Gains and losses on financial assets

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	21	607 199	607 199

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Interest income	21	2 389 435	2 389 435

Notes to the Financial Statements

Figures in Rand	2021	2020

28. Financial instruments and risk management (continued)

Gains and losses on financial liabilities

2021

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	22	(84 044)	(84 044)

2020

	Note(s)	Amortised cost	Total
Recognised in profit or loss:			
Finance costs	22	(194 960)	(194 960)

Capital risk management

	Note(s)	2021	2020
Loans from shareholders	12	3 150 000	3 150 000
Lease liabilities	13	320 580	1 501 510
Trade and other payables	15	63 070 732	75 583 359
Total borrowings		**66 541 312**	**80 234 869**
Bank overdraft (cash and cash equivalents)	10	12 457 606	(38 020 184)
Net borrowings		**78 998 918**	**42 214 685**
Equity		170 752 491	145 079 760
Gearing ratio		46 %	29 %

Notes to the Financial Statements

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28. 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:

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.

2021

		Less than 1 year	1 to 2 years	Total	Carrying amount
Current liabilities					
Trade and other payables	13	63 070 732	-	63 070 732	63 070 732
Loans from shareholders	12	3 150 000	-	3 150 000	3 150 000
Lease liabilities	13	323 244	1	323 244	320 580
Bank overdraft	10	-	-	-	12 593 066
				-	**(79 134 378)**

2020

		Less than 1 year	1 to 2 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	13	323 244	-	323 244	320 580
Current liabilities					
Trade and other payables	15	75 583 359	-	75 583 359	75 583 359
Loans from shareholders	12	3 150 000	-	3 150 000	3 150 000
Lease liabilities	13	1 268 296	323 244	1 591 540	1 180 930
		(80 324 899)	**(323 244)**	**(80 648 143)**	**(80 234 869)**

29. 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.

Notes to the Financial Statements

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30. Going concern

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

Considering the covid-19 pandemic, the directors have assessed the impact of covid-19 against the activities and cashflows of the company and are satisfied that the company has sufficient cash resources to continue into the foreseeable future as a going concern.

The impact of covid-19 was assessed to be minimum evidenced by lack of significant subsequent events and related impact of covid-19 to the entity.

31. Events after the reporting period

The directors have considered the impact of covid-19 post year-end and are satisfied that there is no material impact on the entity's operations and financial information reported.

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.

The directors are not aware of any 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 any pending changes to legilation which may affect the company.

32. Commitments and Contingencies

There were no material commitments entered into and/or contingent liabilities against the entity.