UNIQUE PHARMACEUTICAL LABORATORIES FZE

Financial statements and independent auditor's report
Year ended 31 March 2020

UNIQUE PHARMACEUTICAL LABORATORIES FZE

Financial statements and independent auditor's report
Year ended 31 March 2020

CONTENTS | **PAGE**

PKF - Chartered Accountants (Dubai Br)
بيه كي اف - تشارترد اكاونتنتس (فرع دبي)

PKF
Accountants & business advisers

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of UNIQUE PHARMACEUTICAL LABORATORIES FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **UNIQUE PHARMACEUTICAL LABORATORIES FZE** (the "Establishment"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the UAE, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 (c) in the financial statements that these financial statements are the separate financial statements of the Establishment. The consolidated financial statements of the Establishment and its subsidiary, which are required to be presented in accordance with International Financial Reporting Standard 10: 'Consolidated Financial Statements', are presented separately.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for their compliance with the applicable provisions of the Jebel Ali Free Zone Companies Implementing Regulations 2016, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

continued...

Level 18, Rolex Tower, Sheikh Zayed Road, P.O.Box 13094, Dubai, UAE.
Tel +9714 3888 900, Fax +9714 355 2070, Email dubai@pkfuae.com, www.pkfuae.com

INDEPENDENT AUDITOR'S REPORT
(continued)

In preparing the financial statements, management is responsible for assessing the Establishment'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 management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Establishment's financial reporting process.

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 judgment and maintain professional skepticism 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 Establishment's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 Establishment'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 Establishment to cease to continue as a going concern.

continued...

PKF
Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT
(continued)

- 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 gives a true and fair view.

We communicate with those charged with governance 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
We further confirm that the financial statements comply with Jebel Ali Free Zone Companies Implementing Regulations 2016. Also, in our opinion, proper books of account and other records have been maintained in accordance with the said regulations.

For **PKF**

S D Pereira

S.D. Pereira
Partner
Auditor registration no. 552
Dubai
United Arab Emirates
19 May 2020

UNIQUE PHARMACEUTICAL LABORATORIES FZE

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

	Note	2020 AED	2019 AED
ASSETS			
Non-current assets			
Investment in a subsidiary	6	**46,806,907**	46,806,907
Non-current financial assets	7	**647,481**	798,073
		47,454,388	47,604,980
Current assets			
Trade and other receivables	8	**289,014**	4,521,169
Other current assets	9	**49,557**	44,982
Due from related party	15	**3,413,229**	--
Cash and cash equivalents	10	**81,520**	171,626
		3,833,320	4,737,777
Total assets		**51,287,708**	52,342,757
EQUITY AND LIABILITIES			
Shareholder's equity funds			
Share capital	11	**51,885,000**	51,885,000
Accumulated losses		**(1,896,549)**	(904,400)
		49,988,451	50,980,600
Non-current liabilities			
Provision for staff end-of-service benefits	12	**240,325**	236,325
Current liabilities			
Payables	13	**1,054,932**	1,052,432
Other current liabilities	14	**4,000**	--
Due to a related party	15	**--**	73,400
		1,058,932	1,125,832
Total liabilities		**1,299,257**	1,362,157
Total equity and liabilities		**51,287,708**	52,342,757

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgments underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

Approved and authorised for issue by the shareholder on 12 May 2020 and signed on their behalf by Mr. Sandeep Nasa.

For **UNIQUE PHARMACEUTICAL LABORATORIES FZE**

Sandeep Nasa

MANAGER

UNIQUE PHARMACEUTICAL LABORATORIES FZE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 AED	2019 AED
Revenue		--	--
Other operating income	17	--	20,705
Staff costs	18	**(56,000)**	(82,505)
Other operating expenses	19	**(912,019)**	(1,863,057)
Finance costs	20	**(24,130)**	(118,788)
LOSS FOR THE YEAR		**(992,149)**	(2,043,645)
Other comprehensive income:			
Other comprehensive income for the year		--	--
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(992,149)**	(2,043,645)

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

UNIQUE PHARMACEUTICAL LABORATORIES FZE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Share capital AED	Accumulated losses AED	Total AED
Balance as at 1 April 2018	51,885,000	1,139,245	53,024,245
Total comprehensive income for the year	--	(2,043,645)	(2,043,645)
Balance at 31 March 2019	51,885,000	(904,400)	50,980,600
Total comprehensive income for the year	--	(992,149)	(992,149)
Balance at 31 March 2020	**51,885,000**	**(1,896,549)**	**49,988,451**

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

UNIQUE PHARMACEUTICAL LABORATORIES FZE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	2020 AED	2019 AED
Cash flows from operating activities		
Loss for the year	(992,149)	(2,043,645)
Adjustments for:		
Finance costs	24,130	118,788
Provision for staff end-of-service benefits	4,000	3,394
Unrealised exchange losses (net)	150,592	177,878
Credit balances written back	--	(9,584)
	(813,427)	(1,753,169)
Changes in:		
- Trade and other receivables	42,32,155	23,965,033
- Other current assets	(4,575)	1,464,225
- Trade and other payables	2,500	(23,012,707)
- Other current liabilities	4,000	(131,530)
Staff end-of service benefits paid	--	(22,948)
Cash generated from operations	3,420,653	508,904
Interest paid	(24,130)	(118,788)
Net cash (used in)/ from operating activities	3,396,523	390,116
Cash flows from investing activities		
Receipts from related parties	(3,413,229)	--
Net cash from investing activities	(3,413,229)	--
Cash flows from financing activities		
Payment to a related party (net)	(73,400)	--
Net cash used in financing activities	(73,400)	--
Net (decrease)/ increase/ in cash and cash equivalents	(90,106)	390,116
Cash and cash equivalents at beginning of year	171,626	(218,490)
Cash and cash equivalents at end of year (note 10)	81,520	171,626

The accompanying notes form an integral part of these financial statements.
The report of the independent auditor is set forth on pages 1 to 3.

1. **LEGAL STATUS AND BUSINESS ACTIVITY**

a) **UNIQUE PHARMACEUTICAL LABORATORIES FZE** (the "Establishment") is a free zone establishment with limited liability incorporated in Dubai, United Arab Emirates in accordance with the Implementing Regulation No. 1/92 issued pursuant to Law No. 9 of 1992 (repealed by Jebel Ali Free Zone Companies Implementing Regulations 2016). The registered office is Office No 1116, Business Centres World Building, 11th Floor, JAFZA One, Jebel Ali Free Zone, P.O Box: 262327, Dubai, United Arab Emirates. The Establishment was registered on 10 December 2013 and commenced operations from 1 April 2014.

b) The Establishment has a subsidiary under the name of Biotech Laboratories (Pty) Ltd, "(the subsidiary") a company incorporated in the Republic of South Africa having registration no. 1990/007220/07. The establishment is holding 95.05% of legal and beneficial interest as at the reporting date.

b) The Establishment and its subsidiary trades in medicines. However, the Establishment has not carried out any activity during the year.

c) These financial statements are the separate financial statements of the Establishment. The consolidated financial statement of the Establishment and its subsidiary, which are required to be presented in accordance with International Financial Reporting Standard 10: 'Consolidated Financial Statements', are presented separately.

d) The parent and ultimate parent company is J.B. Chemicals and Pharmaceuticals Limited, a public limited company registered in India.

2. **BASIS OF PREPARATION**

a) **Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB) and which are effective for accounting periods beginning 1 January 2019, and and the requirements of Jebel Ali Free Zone Companies Implementing Regulations 2016.

b) **Basis of measurement**

The financial statements are prepared using historical cost.

Historical cost is based on the fair value of the consideration given to acquire the asset or cash or cash equivalents expected to be paid to satisfy the liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

c) **Going concern**

The financial statements are prepared on a going concern basis.

When preparing the financial statements, management makes an assessment of the Establishment's ability to continue as a going concern. Financial statements are prepared on a going concern basis unless management either intends to liquidate the Establishment or to cease operations, or has no realistic alternative but to do so.

The Establishment incurred a loss of AED 992,149 for the year ended 31 March 2020 and at that date, the Establishment's losses aggregated to AED 1,896,549. Further, there has been no trading activity since last two years. However, the shareholder has agreed to continue with the operations of the Establishment and has agreed to provide continuing financial support to enable the Establishment to discharge its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

Further, the uncertainty due to recent COVID-19 outbreak with regard to the future impact on the Establishment's business performance has been considered as part of the management's assessment of the Establishment's ability to continue as a going concern. As at the date of approval of the financial statements, management is in the process of assessing the impact of this event, if any [refer Note 23].

d) **Adoption of new International Financial Reporting Standards**

Standards, amendments, improvements and interpretations effective for the current year

The International Financial Reporting Standard, amendments, improvements and interpretation that became effective for the current reporting period are as follows:

- IFRS 16: Leases
- Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23: Uncertainty over Income Tax Treatments

The impact of adoption of the above standard, amendments, improvements and interpretation and the new accounting policies are explained below in more detail:

IFRS 16: Leases

Impact of adoption

IFRS 16 was issued in January 2016 and is effective for annual periods beginning on or after 1 January 2019, which supersedes the previous guidance in IAS 17 leases, IFRIC 4 Determining whether an arrangement contains a Lease, SIC-15 Operating Leases – Initiatives and SIC-27 evaluating the substance of transactions involving the legal form of a lease. The standard requires lessees to account for most leases under a single on-balance sheet model and sets out the principles for the recognition, measurement, presentation and disclosure of leases. Lessor accounting remains similar to previous accounting policies. Lessors will continue to classify leases as either operating or finance leases using similar principals as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

Adoption of IFRS 16 did not have any significant impact on the Establishment's financial statements.

IFRS 16 accounting policies

The application of the new standard required the management to apply the new accounting policy, which is summarised in note 3 (d) to the financial statements under significant accounting policies.

Other amendments, improvements and interpretation

The following amendments, improvements and interpretation which became effective 1 January 2019, did not have any significant impact on the Establishment's financial statements:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation and Modification of financial liabilities
- Amendments to IAS 28: Investment in Associates and Joint Ventures relating to long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle:
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 12 Income Taxes
  - IAS 23 Borrowing Costs
- Amendments to IAS 19: Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23: Uncertainty over Income Tax Treatments

New and revised IFRSs in issue but not yet effective

The following amendments and improvements that are assessed by management as likely to have an impact on the financial statements, have been issued by the IASB prior to the date the financial statements were authorised for issue, but have not been applied in these financial statements as their effective dates of adoption are for future accounting periods.

- Amendments to IAS 1 and IAS 8: Definition of Material (1 January 2020)
- The Conceptual Framework for Financial Reporting (1 January 2020)

e) **Functional and presentation currency**

The financial statements are presented in UAE Dirhams ("AED"), which is also the Establishment's functional currency.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted, and which have been consistently applied, are as follows:

a) **Investment in a subsidiary**

Subsidiaries are entities over which the Establishment exercises control. Control is achieved when the Establishment is exposed, or has rights, to variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The investment in a subsidiary is accounted for at cost less impairment losses, if any. The consolidated financial statements of the parent and its subsidiary are presented separately.

b) **Staff end-of-service benefits**

Provision is made for end-of-service benefits payable to the non-UAE employees at the reporting date in accordance with the local labour laws.

c) **Revenue recognition**

The Establishment is in the business of trading in medicines. However, during the year, the Establishment did not carry out any operations.

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Establishment expects to be entitled in exchange for those goods or services.

The Establishment recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the Establishment expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Establishment will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Establishment expects to be entitled in exchange for satisfying each performance obligation.
5. Recognise revenue when (or as) the Establishment satisfies a performance obligation at a point in time or over time.

The Establishment is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue.

d) **Leases**

As a lessee

The Establishment leases its office premises. Rental contracts are typically made for fixed periods of 1 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants, however leased assets are not used as security for borrowing purposes.

Short-term leases

The Establishment applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

e) **Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank current accounts.

f) **Foreign currency transactions**

Transactions in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into UAE Dirhams at the rate of exchange ruling at the reporting date.

Gains or losses resulting from foreign currency transactions are taken to profit or loss.

g) **Provisions**

A provision is recognised when the Establishment has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

h) **Value added tax**

As per the Federal Decree-Law No. (08) of 2017, Value Added Tax (VAT), is charged at 5% standard rate or 0% (as the case may be) on every taxable supply and deemed supply made by the taxable person. The Establishment is required to file its VAT returns and compute the payable tax (which is output tax less input tax) for the allotted tax periods and deposit the same within the prescribed due dates of filing VAT return and tax payment.

i) **Current versus non-current classification**

The Establishment presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.

- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period. or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period. or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Establishment classifies all other liabilities as non-current.

j) **Financial instruments**

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVTOCI") – debt investment; FVTOCI – equity investment; or fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends the financial assets' contractual cash flow characteristics and the Establishment's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrumental level..

The Establishment's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cashflows, selling the financial assets, or both.

Financial liabilities are classified as financial liabilities at amortised cost. The Establishment determines the classification of its financial liabilities at initial recognition.

Recognition

Financial assets and financial liabilities are recognised when, and only when, the Establishment becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Establishment commits to purchase or sell the asset.

Derecognition

Financial assets are de-recognised when, and only when,

- The contractual rights to receive cash flows expire or
- The Establishment has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Establishment has transferred substantially all the risks and rewards of the asset, or
  (b) the Establishment has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities are de-recognised when, and only when, they are extinguished i.e. when obligation specified in the contract is discharged, cancelled or expired.

Measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transactions costs of financial assets carried at FVTPL are expensed in profit or loss.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Establishment may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at amortised cost

Financial assets that meet the following conditions are subsequently measured at amortised cost less impairment loss and deferred income, if any (except for those assets that are designated as at fair value through other comprehensive income on initial recognition) using the effective interest method. All other financial assets are subsequently measured at fair value.

1. the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. the contractual terms of the instrument give rise to cash flows on specified dates that are solely payments of principal and profit on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The financial assets at amortised cost consist of non-current receivables, trade and receivables and cash and cash equivalents.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost comprise of payables.

Impairment of financial assets

The Establishment recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Establishment expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Under IFRS 9, loss allowances are measured on either of the following basis:

- 12-month ECLs: ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: ECLs that result from all possible default events over the expected life of a financial instrument.

The Establishment measures loss allowance at an amount equal to lifetime ECLs, except for the following which are measured as 12-month ECLs:

- Bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Establishment has elected to measure loss allowances for trade receivables at an amount equal to lifetime ECLs. The Establishment applies a simplified approach in calculating expected credit losses. The Establishment does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Establishment has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Establishment considers reasonable and supportive information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Establishment's historical experience and informed credit assessment and including forward looking information.

The Establishment assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Establishment considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Establishment in full, without recourse by the Establishment to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Establishment is exposed to credit risk.

At each reporting date, the Establishment assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the asset.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Equity

Share capital is recorded at the value of proceeds received towards interest in share capital of the Establishment.

k) **Fair value measurement**

The Establishment discloses the fair value of financial instruments measured at amortised cost.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interests.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Establishment uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

4. SIGNIFICANT JUDGMENTS EMPLOYED IN APPLYING ACCOUNTING POLICIES

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as follows:

Classification of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Establishment's business model for managing them.

Impairment

At each reporting date, management conducts an assessment to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made.

The Establishment applies expected credit loss (ECL) model to measure loss allowance in case of financial assets on the basis of 12-month ECLs or Lifetime ECLs depending on credit risk characteristics and how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Impairment of financial assets

The loss allowance for financial assets are based on assumptions about the risk of default and expected loss rates. The management uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3 (j).

Staff end-of-service benefits

The Establishment computes the provision for the liability to staff end-of-service benefits stated at AED 240,325 (previous year AED 236,325), assuming that all employees were to leave as of the reporting date. The management is of the opinion that no significant difference would have arisen had the liability been calculated on an actuarial basis as salary inflation and discount rates are likely to have approximately equal and opposite effects.

		2020 AED	2019 AED
6.	**INVESTMENT IN A SUBSIDIARY**		
	Interest in share capital at cost in Biotech Laboratories (PTY) LTD 4,477,611 unquoted equity shares of Rand (R) 0.001 each[a]	**46,806,907**	46,806,907
		46.806,907	46,806,907

(a) The nature of investment in subsidiary held by the Establishment is as follows:

Name of subsidiary	Principal activity	Country of incorporation	Registered proportion (%) of ownership interest 2020	2019
Biotech Laboratories (PTY) LTD	Pharmaceutical trading	Republic of South Africa	**95.24**	95.24

7. **NON-CURRENT FINANCIAL ASSETS**

This represents interest free long-term loan of AED 647,481 (previous year AED 798,073) (denominated in Rand (R) 3,150,000) given to subsidiary, Biotech Laboratories (PTY) LTD, incorporated in Republic of South Africa, without any fixed repayment schedule.

A reconciliation of the movements in the long-term loan is as follows:

	2020 AED	2019 AED
Opening balance	**798,073**	975,951
Unrealised exchange losses	**(150,592)**	(177,878)
Closing balance	**647,481**	798,073

		2020 AED	2019 AED
8.	**TRADE AND OTHER RECEIVABLES**		
	Trade receivables[a]	**31,662**	4,263,695
	Staff advances	**237,622**	236,325
	Deposits	**19,730**	21,149
		289,014	4,521,169

An age analysis of trade receivables that are past due but not impaired is as follows:

	2020	2019
Over 120 days	**31,662**	4,263,695

At the reporting date, there were no trade receivables considered to be impaired due to non-recovery or perceived difficulty in recovery.

The Establishment does not hold any collateral against trade receivables.

		2020 AED	2019 AED
9.	**OTHER CURRENT ASSETS**		
	Prepayments	46,759	43,220
	VAT receivable (net)	2,798	1,762
		49,557	44,982
10.	**CASH AND CASH EQUIVALENTS**		
	Bank balances in current accounts	81,520	171,626
		81,520	171,626
11.	**SHARE CAPITAL**		
	Issue and paid up:		
	51,885,000 shares of AED 1 each held by J.B. Chemicals & Pharmaceuticals Limited, India	51,885,000	51,885,000
12.	**PROVISION FOR STAFF END-OF-SERVICE BENEFITS**		
	Opening balance	236,325	255,879
	Provision for the year	4,000	3,394
	Paid during the year	--	(22,948)
	Closing balance	240,325	236,325
13.	**PAYABLES**		
	Accruals	1,054,932	1,052,432
		1,054,932	1,052,432

The entire payables are due for payment in one year.

		2020 AED	2019 AED
14.	**OTHER CURRENT LIABILITIES**		
	Other liabilities	4,000	--
		4,000	--

15. **RELATED PARTIES**

The Establishment enters into transactions with entities that fall within the definition of a related party as contained in International Accounting Standard 24. The management considers such transactions to be in the normal course of business and are at prices determined by the management.

Related parties comprise the parent/ultimate parent company, subsidiary, fellow subsidiaries, directors and the key management personnel.

At the reporting date, significant balances with related parties were as follows:

	Parent/ ultimate parent company AED	Subsidiary AED	Fellow subsidiaries AED	Key management personnel AED	Total 2020 AED	Total 2019 AED
Investment in subsidiary	--	46,806,907	--	--	46,806,907	
	--	46,806,907	--	--		46,806,907
Non-current financial assets	--	647,481	--	--	647,481	
	--	798,073	--	--		798,073
Included in trade and other receivables	--	--	--	237,622	237,622	
	--	--	4,232,034	236,325		4,468,359
Due from related party	--	--	3,413,229	--	3,413,229	
	--	--	--	--		--
Due to a related party	--	--	--	--	--	
	73,400	--	--	--		73,400
Provision for staff end-of-service benefits	--	--	--	240,325	240,325	
	--	--	--	236,325		236,325
Guarantees received	--	--	--	--	--	
	14,680,000	--	--	--		14,680,000

All balances are unsecured and are expected to be settled in cash. Repayment and other terms are set out in notes 7 and 21.

Significant transactions with related parties during the year were as follows:

	Parent/ ultimate parent company AED	Fellow subsidiary AED	Key management personnel AED	Total 2020 AED	Total 2019 AED
Other operating income					
	95,695	(84,574)	--		11,121
Staff costs	--	--	56,000	56,000	
	--	--	55,394	--	55,394
Recharge of guarantee commission	24,130	--	--	24,130	
	73,400	--	--		73,400

The Establishment also provides funds to related party as working capital facilities, free of interest.

Certain administrative and marketing related services are availed from related parties, free of cost/agreed rates.

16. MANAGEMENT OF CAPITAL

The Establishment's objectives when managing capital are to ensure that the Establishment continues as a going concern and to provide the shareholder with a rate of return on their investment commensurate with the level of risk assumed.

Capital, which is unchanged from the previous year, comprises equity funds as presented in the statement of financial position together with long-term loan to related party. Debt comprises total amounts owing to third parties, net of cash and cash equivalents.

The Establishment is not subject to externally imposed capital requirements.

Funds provided to a related party, are retained in the business according to the business requirements and maintain capital at desired levels.

		2020 AED	2019 AED
17.	**OTHER OPERATING INCOME**		
	Credit balances written back	--	9,584
	Miscellaneous income	--	11,121
		--	20,705
18.	**STAFF COSTS**		
	Staff salaries and benefits	52,000	79,111
	Staff end-of-service benefits	4,000	3,394
		56,000	82,505
19.	**OTHER OPERATING EXPENSES**		
	Operating lease expenses	26,620	27,232
	Net exchange losses	829,855	1,644,990
	Other expenses	55,544	190,835
		912,019	1,863,057
20.	**FINANCE COSTS**		
	On bank overdraft	--	45,388
	Guarantee commission recharged by a related party	24,130	73,400
		24,130	118,788

21. **FINANCIAL INSTRUMENTS**

The net carrying amounts as at the reporting date of financial assets and financial liabilities are as follows:

	At amortised cost	
	2020 AED	2019 AED
Financial assets		
Non-current financial assets	647,481	798,073
Trade and other receivables	289,014	4,521,169
Due from related party	3,413,229	--
Cash and cash equivalents	81,520	171,626
	4,431,244	5,490,868
Financial liabilities		
Payables	1,054,932	1,052,432
Due to a related party	--	73,400
	1,054,932	1,125,832

Management of risks
The management conducts and operates the business in a prudent manner, taking into account the significant risks to which the business is or could be exposed.

The primary risks to which the business is exposed, which are unchanged from the previous year comprise credit risks, liquidity risks and market risks (including currency risks and fair value interest rate risks).

Credit risk is managed by assessing the creditworthiness of potential customers and the potential for exposure to the market in which they operate, combined with regular monitoring and follow-up.

Management continuously monitors its cash flows to determine its cash requirements and makes comparison with un-funded facilities with banks in order to manage exposure to liquidity risk.

The Establishment buys and sells goods and services in local and foreign currencies. Exposure to foreign currency transactions is minimised where possible by denominating such transactions in US Dollars to which the UAE Dirham is pegged.

Exposures to the aforementioned risks are detailed below:

Credit risk
Financial assets that potentially expose the Establishment to concentrations of credit risk comprise principally non-current loans receivables, bank accounts and outstanding receivables.

The Establishment's bank accounts are placed with high credit quality financial institutions.

The management assesses the credit risk arising from trade and other receivables taking into account their financial position, past experience and other factors. Based on the assessment individual risk limits are determined.

At the reporting date, the Establishment's maximum exposure to credit risk from such receivables situated outside the UAE is as follows:

	2020	2019
	AED	AED
Non-current financial assets		
South Africa	647,481	798,073
Trade receivables		
BRICS Countries	31,662	4,263,695

At the reporting date, no trade receivables were due from related party (previous year, 99% of trade receivables was due from a related party).

At the reporting date, there was no significant concentration of credit risk from customers outside the industry in which the Establishment operates.

The Establishment uses an allowance matrix to measure the expected credit losses of trade receivables, which comprise a very large number of small balances. Loss rates are calculated using a 'flow rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Flow rates are calculated separately for exposures in different segments based on the following common credit risk characteristics geographic region, age of customer relationship and type of product purchased.

	Gross carrying amount	
	2020	2019
	AED	AED
More than 365 days past due	**31,662**	4,263,695
	31,662	4,263,695

Currency risk

There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the Dirham is fixed except for the following:

	2020	2019
	AED	AED
Due from related party		
Russian Ruble (RUB)	**3,413,229**	--
Trade receivables		
Russian Ruble (RUB)	**--**	4,232,034
Long-term loan to subsidiary		
South African Rand	**647,481**	798,073

At the reporting date, if the above-mentioned currencies had been weaker or stronger against the Dirham by 1%, profit for the year and equity would have been lower or higher by AED 40,607 (previous year AED 50,301).

Interest rate risk

The Establishment is not exposed to any significant interest rate risk at the reporting date.

Fair values

The management assesses the fair values of all its financial assets and financial liabilities at each reporting date.

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to determine the fair values of other financial assets:

- Fair value of interest free long-term loan to a related party is evaluated by the Establishment using valuation techniques including the discounted cash flow (DCF) model. The inputs to this model are taken from observable markets where possible, but where this is not feasible inputs are based on parameters such as interest rates, specific country risk factors, individual credit worthiness of the customer and credit risks characteristics. As at the reporting date, the carrying amounts of interest-free long-terms loans due to their terms, has fair values lower than their carrying values.

		2020 AED	2019 AED
22.	**CONTINGENT LIABILITIES**		
	Guarantees received from a related party	--	14,680,000

23. **SIGNIFICANT EVENTS**

During the last quarter of the year, there was an outbreak of Covid-19 (Coronavirus) across the globe, causing disruptions to economic activity and business operations. Thus, the Establishment's operations may have been affected by this outbreak of Covid-19. However, the extent to which the Covid-19 may impact the operating results, financial position, and cash flows will depend on future events, which are highly uncertain and an estimate of the potential impact cannot made as of the date of these financial statements [Note 2(c)].

For **UNIQUE PHARMACEUTICAL LABORATORIES FZE**

Sandeep Nair

MANAGER