

INDIES PHARMA JAMAICA LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2019

INDIES PHARMA JAMAICA LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of
Indies Pharma Jamaica Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Indies Pharma Jamaica Limited (the company) set out on pages 5 to 37, which comprise the statement of financial position at 31 October 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 October 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

To the Members of
Indies Pharma Jamaica Limited

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of Expected Credit Losses</p> <p>Refer to note 5(d) (ii)</p> <p>IFRS 9, Financial Instruments, was implemented by the company on 1 November 2018. This new standard is complex and requires the company to recognized expected credit losses (ECL) on financial assets measured at amortized cost.</p> <p>The process of developing an expectation of credit losses requires management to use judgement and estimates which could inherently be subjective and the application of forward looking information.</p> <p>The identification of significant increase in credit risk is a key area of judgement as the criteria determine whether a 12 month or lifetime allowance is recorded.</p> <p>IFRS 9 requires the company to incorporate forward looking information, reflecting a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios (note 5d).</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the company's implementation process for determining the impact of adoption of the new standard. • Evaluating the techniques and methodologies utilized by the company to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9. • Assessing the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates used in determining the ECLs for trade receivables. • Assessment of the adequacy of disclosures in the financial statements. <p>Based on the results of the procedures performed, adjustments of \$7,602,156 were considered necessary and management made the adjustment.</p>

Other information

Management is responsible for the other information. The other information comprises the annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT

To the Members of
Indies Pharma Jamaica Limited

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the Jamaican Companies Act, 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.

In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

Auditors' Responsibilities for the Audit of the Financial Statements

- 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 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 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 auditors' 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 auditors' 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 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.

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

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



INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Raynold McFarlane.

A handwritten signature in black ink that reads 'BDO'. The letters are stylized and connected.

Chartered Accountants

29 January 2020

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2019

	<u>Note</u>	<u>2019</u> ₤	<u>2018</u> ₤
REVENUE	6	729,451,037	636,174,735
COST OF SALES	8	<u>(268,777,844)</u>	<u>(243,383,661)</u>
GROSS PROFIT		460,673,193	392,791,074
Other operating income	7	<u>782,450</u>	<u>813,221</u>
		461,455,643	393,604,295
Administrative and other expenses	8	<u>(338,121,941)</u>	<u>(239,866,994)</u>
PROFIT FROM OPERATION		123,333,702	153,737,301
Exchange gain/loss		4,707,387	(4,482,462)
Finance costs	9	<u>(196,728)</u>	<u>(11,209,463)</u>
NET PROFIT BEFORE TAXATION		127,844,361	138,045,376
Taxation	10	<u>3,117,744</u>	<u>(18,344,089)</u>
NET PROFIT FOR THE YEAR		130,962,105	119,701,287
OTHER COMPREHENSIVE INCOME:			
Profit on disposal of fixed assets		<u>5,149,587</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>136,111,692</u>	<u>119,701,287</u>
Earnings per stock unit - Basic	11	<u>0.10</u>	<u>0.09</u>

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2019


<u>ASSETS</u>	<u>Note</u>	<u>2019</u>	<u>2018</u>
NON-CURRENT ASSETS:		\$	\$
Property, plant and equipment	12	<u>137,134,530</u>	<u>92,424,814</u>
Related companies	22	<u>9,975,378</u>	<u>198,610,379</u>
CURRENT ASSETS:			
Inventories		156,936,210	155,193,522
Receivables	13	292,978,798	266,408,444
Taxation recoverable		2,541,480	450,947
Directors' current account	19	56,560,769	36,779,647
Cash and cash equivalents	14	<u>114,778,721</u>	<u>101,391,819</u>
		<u>623,795,978</u>	<u>560,224,379</u>
		<u>770,905,886</u>	<u>851,259,572</u>
<u>EQUITY AND LIABILITIES</u>			
<u>EQUITY:</u>			
Share capital	15	244,576,999	244,576,999
Capital reserve	16	110,923,182	105,773,595
Retained earnings		<u>339,730,832</u>	<u>318,285,581</u>
		<u>695,231,013</u>	<u>668,636,175</u>
NON-CURRENT LIABILITIES:			
Long-term loan	17	-	480,777
Deferred taxation	18	-	3,117,744
Related companies	22	<u>-</u>	<u>123,090,042</u>
		<u>-</u>	<u>126,688,563</u>
CURRENT LIABILITIES:			
Payables	20	67,414,295	46,549,391
Short-term borrowings	21	8,260,578	3,440,663
Taxation		<u>-</u>	<u>5,944,780</u>
		<u>75,674,873</u>	<u>55,934,834</u>
		<u>770,905,886</u>	<u>851,259,572</u>

Approved for issue by the Board of Directors on 29 January 2020 and signed on its behalf by:



 Guna Sekhar Muppuri - Director





 Vishnu Vandana Muppuri - Director

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 OCTOBER 2019

<u>Note</u>	<u>Number of Stock Units</u> ₤	<u>Share Capital</u> ₤	<u>Capital Reserve</u> ₤	<u>Retained Earnings</u> ₤	<u>Total</u>
BALANCE AT 31 OCTOBER 2017	15,635,000	15,635,000	105,773,595	198,584,294	319,992,889
Subdivision of shares	1,142,918,500	-	-	-	-
Share issue net of transaction cost	173,983,149	228,941,999	-	-	228,941,999
OTHER COMPREHENSIVE INCOME - Net profit for the year	-	-	-	<u>119,701,287</u>	<u>119,701,287</u>
BALANCE AT 31 OCTOBER 2018	1,332,536,649	244,576,999	105,773,595	318,285,581	668,636,175
Effects of change in accounting policy - IFRS 9 Financial Instruments	-	-	-	<u>(2,913,922)</u>	<u>(2,913,922)</u>
RESTATED TOTAL EQUITY AT 1 NOVEMBER 2018	1,332,536,649	244,576,999	105,773,595	315,371,659	665,722,253
Dividends	-	-	-	(106,602,932)	(106,602,932)
OTHER COMPREHENSIVE INCOME - Other comprehensive income Net profit for the year	-	-	5,149,587	-	5,149,587
	-	-	-	<u>130,962,105</u>	<u>130,962,105</u>
BALANCE AT 31 OCTOBER 2019	<u>1,332,536,649</u>	<u>244,576,999</u>	<u>110,923,182</u>	<u>339,730,832</u>	<u>695,231,013</u>

INDIES PHARMA JAMAICA LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 OCTOBER 2019

	<u>2019</u> ₤	<u>2018</u> ₤
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	130,962,105	119,701,287
Items not affecting cash resources:		
Depreciation	12,261,523	14,031,068
Interest expense	196,728	11,209,463
Interest income	(319,279)	(433,338)
Effects of change in accounting policy (IFRS 9)	(2,913,922)	-
Taxation expense	<u>(3,117,744)</u>	<u>18,344,089</u>
Operating cash flows before movements in working capital	137,069,411	162,852,569
Change in operating assets and liabilities -		
Inventories	(1,742,688)	11,009,893
Receivables	(26,570,354)	(2,206,294)
Payables	20,864,904	(7,828,093)
Related companies	65,544,959	90,503,345
Directors' current account	(19,781,122)	(14,051,332)
Taxation recoverable	<u>(61,313)</u>	<u>(83,904)</u>
Taxation paid	175,323,797	240,196,184
	<u>(7,974,000)</u>	<u>(41,650,707)</u>
Cash provided by operating activities	<u>167,349,797</u>	<u>198,545,477</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	319,279	433,338
Purchase of property, plant and equipment	(60,271,652)	(1,658,840)
Proceed from disposal of Property, plant and equipment	<u>8,450,000</u>	<u>-</u>
Cash used in investing activities	<u>(51,502,373)</u>	<u>(1,225,502)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Interest paid	(196,728)	(11,209,463)
Borrowing	4,339,138	(386,713,534)
Share issue	-	228,941,999
Dividends paid	(106,602,932)	-
Directors' loan	<u>-</u>	<u>(1,113,520)</u>
Cash used in financing activities	<u>(102,460,522)</u>	<u>(170,094,518)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,386,902	27,225,457
Cash and cash equivalents at beginning of year	<u>101,391,819</u>	<u>74,166,362</u>
CASH AND CASH EQUIVALENTS AT END YEAR (Note 14)	<u>114,778,721</u>	<u>101,391,819</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Indies Pharma Jamaica Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is Unit #5 Montego Bay Trade Centre, Catherine Hall, Montego Bay, St. James.
- (b) The company by special resolution dated 4 November 2004 converted from a private to a public company.
- (c) The principal activity of the company is the distribution and retailing of pharmaceutical and auxiliary products.
- (d) On 15 August 2018, Indies Pharma Jamaica Limited became a public listed entity on the Junior Market of the Jamaica Stock Exchange. Consequently, the company is entitled to a remission of income taxes for ten (10) years providing it complies with the requirements of the Jamaica Stock Exchange for the Junior Market.

2. FUNCTIONAL AND PRESENTATION CURRENCY:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency, unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial assets that are measured at fair value or revalued amounts. They are also prepared in accordance with the requirements of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the date of the statement of financial position and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity, or areas where assumptions or estimates are significant to the financial statements are discussed in note 4.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year.

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following standards amendments are relevant to its operations.

IFRS 9, 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2018). The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

The adoption of IFRS 9 resulted in changes in the accounting policies and disclosures arising from the adoption of consequential amendments to IFRS 7, *Financial Instruments: Disclosures*. Management has utilized the modified retrospective transition approach and has elected not to restate comparative information in accordance with the transitional provision. The impact on the financial statements on adoption of the new standard is disclosed in note 25 and additional disclosures have been included in Note 4

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). This standard was established to provide a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programme'. Under IFRS 15, an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model.

- Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations);
- Step 2: identify the different performance obligations (promises) in the contract and account for those separately;

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

- Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services);
- Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The adoption of IFRS 15 did not impact the timing or amount of income from contracts with customers and the related assets and liabilities recognized by the company based on the provision of services. Accordingly, the impact on the comparative information is limited to these new disclosures requirements.

Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted.

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the company's future financial statements.

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The standard primarily addresses the accounting for leases by lessees. The standard will result in almost all leases being recognized on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term leases and low-value items valued at US\$5,000 or less. The accounting by lessors will not significantly change.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted (cont'd)

IFRIC 22, foreign Currency Transactions and Advance Consideration, (effective for accounting periods beginning on or after 1 July 2019). IFRIC 22 addresses how to determine the transaction date when an entity recognizes a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognizing the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability. An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held. The interpretation clarifies that the transaction date is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The company is currently assessing the impact of this interpretation.

IFRIC 23 'Uncertainty over Income Tax Treatments', (effective for accounting periods beginning on or after 1 January 2019). This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The company is currently assessing the impact of this amendment.

(b) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are subsequently carried at fair value, based on periodic valuations by a professionally qualified valuer. These revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in capital reserve except to the extent that any decrease in value in excess of the credit balance on the revaluation surplus, or reversal of such a transaction, is recognised in profit or loss.

Depreciation is calculated on the straight line basis at such rate as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The annual rates are as follows:

Freehold buildings	2½%
Plant, machinery, furniture, fixtures and equipment	10%
Motor vehicles	20%
Computer equipment	22½%

At the date of revaluation, the accumulated depreciation on the revalued freehold property is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve is transferred to retained earnings.

(d) Inventories

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses. Obsolete inventory is expensed in cost of sales.

(e) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

cash and cash equivalents, account receivables, related parties and investment securities.

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments - classification, recognition and derecognition and measurement

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity of another entity. In these financial statements, financial assets comprise cash and cash equivalents, account receivables, related parties and investment securities.

The company adopted IFRS 9 on 1 November 2018 and has elected not to restate comparative information in accordance with the transitional provisions in IFRS 9. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

Application of the policy from 1 November 2018**Financial assets**

The company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired and the accounting policy for each category as follows:

Fair value through profit or loss

These are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the finance income or expense line. The company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortized cost

These assets arise principally from the provision of goods and services to customers (for example, trade receivables), but also incorporates other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments - classification, recognition and derecognition and measurement (cont'd)

Application for the policy from 1 November 2018

Impairment

Impairment provisions for current and non-current trade receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognized within the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

Recognition and initial measurement

Financial instruments are classified, recognized and measured in accordance with the substance of the terms of the contracts. The company recognizes a financial instrument when it becomes a party to the contractual terms of the instrument. The company initially recognizes receivables on the date when they are originated. All other financial assets and financial liabilities are initially recognized when the company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

The company's financial assets measured at amortized cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments and original maturities of three months or less, and for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities in the statement of financial position.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Financial instruments - classification, recognition and derecognition and measurement (cont'd)

Recognition and initial measurement

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities

The company classifies its financial liabilities at amortized cost

(g) Share capital

Ordinary shares are classified as equity. Incremental cost directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(i) Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss. Other receivables are stated at amortized cost less impairment losses.

(j) Payables

Trade and other payables are stated at amortized cost.

(k) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(m) Current and deferred income taxes

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

(n) Employee benefits

Employee benefits include current and short term benefits such as salaries, statutory contributions paid, annual vacation and sick leave and non-monetary benefits such as medical care.

(o) Revenue recognition

From 1 November 2018, the company adopted IFRS 15 which did not result in any adjustments to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(o) Revenue recognition (cont'd)

The company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the entity and when specific criteria have been met. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognized in the statement of comprehensive income for all interest bearing instruments on an accrual basis unless collectability is doubtful.

(p) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses and for which discrete financial information is available. The operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to assess its performance and to make decisions about resources to be allocated to the segment. The CODM has been identified as the Board of Directors, in particular to the executive members, who make strategic decisions.

Based on the internal management reports presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

(i) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):**

(b) **Key sources of estimation uncertainty (contd'd)**

(ii) **Net realizable value of inventories**

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. The estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period,

Estimates of net realizable value also take into consideration the purpose for which the inventory is held.

(iii) **Allowance for expected credit losses on receivables**

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable, for example, repayment default and adverse economic conditions.

Management also makes estimates of the likely estimated future cash flows from impaired accounts receivable, as well as the timing of such cash flows. Expected credit losses (ECL) is applied to determine impairment of financial assets. When measuring ECL, the company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life. The expected life is estimated based on the period over which the company is exposed to credit risk and where the credit losses would be mitigated by management actions.

5. **FINANCIAL RISK MANAGEMENT:**

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Market risk, and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them unless otherwise stated in this note.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

5. FINANCIAL RISK MANAGEMENT:

(a) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Due from related party
- Bank overdraft
- Borrowings

(b) Financial Instrument by category

	<u>2019</u>	<u>2018</u>
	\$	\$
Financial assets - loans and receivables -		
Related parties	9,975,378	198,610,379
Cash and cash equivalents	114,778,721	101,391,819
Receivables	<u>292,978,798</u>	<u>266,408,444</u>
Total financial assets	<u>417,732,897</u>	<u>566,410,642</u>
Financial liabilities - at amortized cost -		
Payables	66,967,750	46,549,391
Loans and borrowings	8,260,578	3,921,440
Related parties	<u>446,545</u>	<u>123,090,042</u>
Total financial liabilities	<u>75,674,873</u>	<u>173,560,873</u>

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes, cash and cash equivalents, receivables, related party balances, payables and long term liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

(d) Financial risk factors

The Board of Directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives monthly reports from the financial controller through which it reviews the effectiveness of the process put in place and the appropriateness of the objective and policies it sets.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from US dollar cash and bank balances. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The company is exposed to foreign currency risk in respect of US dollar payables and cash and bank balances amounting to US\$13,133 (2018; US\$75,540) and US\$214,780 (2018: US\$364,918) respectively.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

The company is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The company analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits and borrowings are due to mature and re-price respectively, within 3 months of the reporting date.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, due from related company and cash and bank balances.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and cash equivalents in the statement of financial position.

Trade receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be analyzed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. The company's review includes bank references.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit limits for all customers are reviewed at least annually, against the customers' payment history, assessment of customers' credit risk and sales department information.

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables

The expected loss rates are based on the company's historical credit losses experienced over the period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the inflation rate of the country in which it offers its service to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The following table provides information about ECLs for trade receivables as at 31 October 2019

<u>Aging</u>	<u>Gross Carrying Amount</u> ₤	<u>Expected Loss Rate</u> %	<u>ECL Allowance</u> ₤
Trade receivables:			
0-30 days	48,228,345	1	525,804
31-60 days	17,138,883	4	711,714
61-90 days	2,930,213	1	29,302
90-120 days	14,325,423	9	1,261,929
120 and over	<u>56,756,885</u>	14	<u>7,987,329</u>
	<u>139,379,749</u>		<u>10,516,078</u>

Movements in the impairment allowance for trade receivables as follows:

	<u>2019</u> ₤	<u>2018</u> ₤
At 1 November 2018 IAS 39	-	-
Restated through opening retained earnings	2,913,922	-
Impairment loss during the year	<u>7,602,156</u>	-
	<u>10,516,078</u>	<u>-</u>

(iii) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on a bi-weekly basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimizing cash returns on investments.

The table below presents the undiscounted cash flows (both interest and principal cash flows) of the company's financial liabilities based on contractual rights and obligations as well as expected maturity.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	<u>Within 1 Year J\$</u>	<u>1 to 2 Years J\$</u>	<u>2 to 5 Years J\$</u>	<u>Over 5 Years J\$</u>	<u>Total J\$</u>
31 October 2019					
Payables	66,967,750	-	-	-	66,967,750
Short term loans	8,260,578	-	-	-	8,260,578
Related companies	-	-	-	446,545	446,545
Total financial liabilities (contractual maturity dates)	<u>75,228,328</u>	<u>-</u>	<u>-</u>	<u>446,545</u>	<u>75,674,873</u>
31 October 2018					
Payables	46,549,391	-	-	-	46,549,391
Long term loans	700,000	500,000	-	-	1,200,000
Related companies	-	-	-	123,090,042	123,090,042
Total financial liabilities (contractual maturity dates)	<u>47,249,391</u>	<u>500,000</u>	<u>-</u>	<u>123,090,042</u>	<u>170,839,433</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2019

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(d) **Financial risk factors (cont'd)**

(iv) **Capital management**

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The board of directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. The company met the capital requirements of at least \$50,000,000 for listing on the Junior Market of the Jamaica Stock Exchange. There are no other external capital maintenance requirements to which the company is subject.

6. **REVENUE:**

	<u>2019</u>	<u>2018</u>
	\$	\$
Sale and distribution of pharmaceutical products	<u>729,451,037</u>	<u>636,174,735</u>

7. **OTHER OPERATING INCOME:**

	<u>2019</u>	<u>2018</u>
	\$	\$
Interest received	319,279	433,338
Commission	62,646	211,691
Miscellaneous	<u>400,525</u>	<u>168,192</u>
	<u>782,450</u>	<u>813,221</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2019

8. EXPENSES BY NATURE:

Total cost of sales, administrative, selling and other operating expenses

	<u>2019</u>	<u>2018</u>
	\$	\$
Cost of sales recognized as an expense	268,777,844	243,383,661
Salaries, wages and statutory contributions	133,794,566	119,443,363
Directors' fees	2,805,279	2,670,000
Telephone	3,729,898	3,238,627
Electricity	6,227,090	4,204,992
Water rates	326,035	305,842
Rent	46,128,927	7,832,834
Audit and accounting fees -		
Current year	3,400,000	2,700,000
Prior year	-	91,041
Assets tax	-	206,986
Subscription and donations	707,924	631,769
Gift	1,725,502	858,486
Printing, stationery and office supplies	3,355,950	3,106,786
Security	5,081,885	4,307,039
Insurance	8,665,205	8,167,161
Repairs and maintenance - furniture and equipment	7,480,749	2,918,215
Maintenance fee - building	471,816	52,784
Trade licence, registration fee and trademark	1,519,975	220,700
Bank charges and interest	3,500,142	2,914,302
Staff welfare	6,416,307	4,534,106
Legal and professional fees	5,950,084	-
Drug permit	262,129	400
Interest and penalty	9,448,053	716,183
Cleaning and Sanitation	291,280	310,000
Contract labour	1,794,102	1,657,345
Advertising and promotion	10,312,667	5,647,985
Packaging	459,443	292,864
Bad debt	-	1,617,871
Bad debt provision	7,602,156	-
Postage and delivery	474,411	529,634
Motor vehicles, travel and entertainment	45,216,637	37,551,881
Royalties	7,500,000	7,500,000
Finance charge	160,531	60,424
Miscellaneous	1,051,676	1,546,306
Depreciation	12,261,522	14,031,068
	<u>606,899,785</u>	<u>483,250,655</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

9. FINANCE COSTS:

	<u>2019</u>	<u>2018</u>
	\$	\$
Loan interest expense	<u>196,728</u>	<u>11,209,463</u>

10. TAXATION EXPENSE:

Taxation is based on the operating results for the year, adjusted for taxation purposes, and comprises income tax @ 25%.

	<u>2019</u>	<u>2018</u>
	\$	\$
Current taxation	-	19,540,238
Deferred taxation (Note 18)	(3,117,744)	(1,196,149)
Taxation charge in statement of profit or loss and other comprehensive income	<u>(3,117,744)</u>	<u>18,344,089</u>

The tax on profit before taxation differs from the theoretical amount that would arise, using the applicable tax rate of 25%, as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Profit before taxation	<u>127,844,361</u>	<u>138,045,376</u>
Tax calculated at the applicable tax rates	31,961,090	34,511,344
Adjusted for the effects of:		
Expenses not deductible for tax purposes	6,853,067	4,859,175
Net effects of other charges and allowances	(1,251,926)	(2,151,019)
Employment tax credit	-	(8,374,388)
Remission of taxes	(37,562,231)	(9,304,874)
Deferred taxation	<u>(3,117,744)</u>	<u>(1,196,149)</u>
Taxation charge in statement of profit or loss and other comprehensive income	<u>(3,117,744)</u>	<u>18,344,089</u>

In the previous year, income tax was computed based on profits for nine (9) months ended July 31, 2018 as a result of the company's listing on the Junior Market of the Jamaica Stock Exchange effective August 2018. Consequently, the company is entitled to a remission of taxes for ten (10) years providing it adheres to the rules and regulations of the Junior Market of the Jamaica Stock Exchange as follows:

Years 1 - 5	100%
Years 6 - 10	50%

The financial statements have been prepared on the basis that the company will have the full benefits of the tax remission.

INDIES PHARMA JAMAICA LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 31 OCTOBER 2019

11. EARNINGS PER STOCK UNIT:

	<u>2019</u> ₤	<u>2018</u> ₤
Net profit attributable to stockholders	<u>136,111,692</u>	<u>119,701,287</u>
Weighted average number of stock unit in issue	<u>1,332,536,649</u>	<u>1,332,536,649</u>
Earnings per stock unit (cents per share)	<u>0.10</u>	<u>0.09</u>

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year end.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2019

12. PROPERTY, PLANT AND EQUIPMENT:

Year ended 31 October 2019

	<u>Land</u> \$	Leasehold Improvements & Building \$	Furniture, Fixtures & Equipment \$	Computer \$	Motor Vehicles \$	Signs \$	Total \$
Net book value							
1 November 2018	27,700,000	32,782,500	1,616,097	2,643,380	27,673,384	9,453	92,424,814
Disposal	-	-	-	-	(3,300,413)	-	(3,300,413)
Additions	-	54,956,860	78,741	-	5,236,051	-	60,271,652
Depreciation	-	(1,057,500)	(266,546)	(1,650,560)	(9,277,465)	(9,452)	(12,261,523)
31 October 2019	<u>27,700,000</u>	<u>86,681,860</u>	<u>1,428,292</u>	<u>992,820</u>	<u>20,331,557</u>	<u>1</u>	<u>137,134,530</u>
At cost or valuation	27,700,000	97,256,860	6,845,577	10,623,309	64,476,518	63,401	206,965,665
Depreciation	-	(10,575,000)	(5,417,285)	(9,630,489)	(44,144,961)	(63,400)	(69,831,135)
31 October 2019	<u>27,700,000</u>	<u>86,681,860</u>	<u>1,428,292</u>	<u>992,820</u>	<u>20,331,557</u>	<u>1</u>	<u>137,134,530</u>

Year ended 31 October 2018

	<u>Land</u> \$	Building \$	Furniture, Fixtures & Equipment \$	Computer \$	Motor Vehicles \$	Signs \$	Total \$
Net book value							
1 November 2017	27,700,000	33,840,000	844,896	3,492,002	38,886,351	33,793	104,797,042
Additions	-	-	983,026	675,814	-	-	1,658,840
Depreciation	-	(1,057,500)	(211,825)	(1,524,436)	(11,212,967)	(24,340)	(14,031,068)
31 October 2018	<u>27,700,000</u>	<u>32,782,500</u>	<u>1,616,097</u>	<u>2,643,380</u>	<u>27,673,384</u>	<u>9,453</u>	<u>92,424,814</u>
At cost or valuation	27,700,000	42,300,000	6,766,836	10,623,309	73,440,467	63,401	160,894,013
Depreciation	-	(9,517,500)	(5,150,739)	(7,979,929)	(45,767,083)	(53,948)	(68,469,199)
31 October 2018	<u>27,700,000</u>	<u>32,782,500</u>	<u>1,616,097</u>	<u>2,643,380</u>	<u>27,673,384</u>	<u>9,453</u>	<u>92,424,814</u>

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13. RECEIVABLES:

	<u>2019</u> \$	<u>2018</u> \$
Trade receivables	139,379,749	121,047,186
Less: expected credit loss	<u>(10,516,078)</u>	<u>-</u>
Prepayments	128,863,671	121,047,186
Shareholders' loan	3,028,790	1,968,534
Other	135,590,400	135,590,400
	<u>25,495,937</u>	<u>7,802,324</u>
	<u>292,978,798</u>	<u>266,408,444</u>

14. CASH AND BANK BALANCES:

	<u>2019</u> \$	<u>2018</u> \$
Petty cash	201,121	150,680
Cash on hand	6,852,425	10,765,358
First Global Bank - Savings Account	367,855	367,855
National Commercial Bank Jamaica Limited - Foreign Currency Account	31,098,578	12,723,785
National Commercial Bank Jamaica Limited - Current Account	7,574,261	6,431,988
National Commercial Bank Jamaica Limited - Savings Account	13,965,079	29,740,296
GK Capital Account	6,895,575	34,746,033
Sagicor Bank Jamaica Limited - Current Account	1,762,100	203,637
Sagicor Bank Jamaica Limited - Savings Account	8,255,181	5,324,434
Sagicor Bank Jamaica Limited - Foreign Currency Savings Account	<u>37,806,546</u>	<u>937,753</u>
	<u>114,778,721</u>	<u>101,391,819</u>

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15. SHARE CAPITAL:

	<u>2019</u>	<u>2018</u>
	\$	\$
Authorized - 4,863,553,500 ordinary shares		
Stated capital - Issued and fully paid- 1,332,536,649 ordinary shares of no par value	<u>244,576,999</u>	<u>244,576,999</u>

In August 2018, the company raised additional capital through an initial public offer.

- a) The authorized ordinary shares were increased from 15,535,000 to 4, 863,553,500. On 20 June 2018, the shareholders passed resolution to increase the authorized share capital of the company by 50,000,000 shares bringing the authorized share capital to 65,635,000 shares. The shareholders also approved the sub-division of each share into 74.1, resulting in a total of 4,863,553,500 shares.
- b) The sub-division of 74.1 for each of the 15,635,000 shares in issue prior to the public invitation resulted in 1,158,553,500 shares which together with the 173,983,149 shares issued to the general public in August 2018 as part of the company's initial public offering brought the total issued shares to 1,332,536,649.
- c) The proceeds of sale of the 173,983,149 shares issued to the general public in August 2018 amounted to \$248,802,844 less transaction cost of \$19,860,845.

16. CAPITAL RESERVE:

	<u>2019</u>	<u>2018</u>
	\$	\$
At 1 November 2018	105,773,595	105,773,595
Movement during year - Profit on disposal fixed assets	<u>5,149,587</u>	<u>-</u>
At 31 October 2019	<u>110,923,182</u>	<u>105,773,595</u>
Representing - Revaluation surplus on land and building Profit on sale of fixed assets	<u>99,307,105</u> <u>11,616,077</u>	<u>99,307,105</u> <u>6,466,490</u>
	<u>110,923,182</u>	<u>105,773,595</u>

INDIES PHARMA JAMAICA LIMITED
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17. LONG-TERM LOAN:

	<u>2019</u> ₤	<u>2018</u> ₤
9.9% National Commercial Bank Jamaica Limited Loan 2021	-	1,097,159
Less current portion (Note 21)	-	(616,382)
	<u>-</u>	<u>480,777</u>

National Commercial Bank Jamaica Limited loan is secured by bill of sale over one motor vehicle registered in the company's name.

18. DEFERRED TAXES:

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%. The movement on the deferred tax account is as follows:

	<u>2019</u> ₤	<u>2018</u> ₤
Balance at beginning of year	3,117,744	4,313,893
Credit to statement of profit or loss and other comprehensive income (Note 10)	(3,117,744)	(1,196,149)
	<u>-</u>	<u>3,117,744</u>

Deferred taxation represents accelerated tax depreciation.

19. DIRECTORS' CURRENT ACCOUNT:

Director current account is unsecured and interest free with no fixed repayment terms.

20. PAYABLES:

	<u>2019</u> ₤	<u>2018</u> ₤
Trade payables	54,289,097	19,442,689
General consumption tax	4,117,522	8,311,396
Other payables and accruals	<u>9,007,676</u>	<u>18,795,306</u>
	<u>67,414,295</u>	<u>46,549,391</u>

INDIES PHARMA JAMAICA LIMITED
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21. SHORT-TERM BORROWINGS:

	<u>2019</u>	<u>2018</u>
	\$	\$
9.9% National Commercial Bank Jamaica Limited - Loan 2021	-	616,382
National Commercial Bank Jamaica Limited - Credit Card Account	7,859,873	2,227,710
Sagicor Bank Jamaica Limited - Credit Card Account	<u>400,705</u>	<u>596,571</u>
	<u>8,260,578</u>	<u>3,440,663</u>

22. RELATED PARTY TRANSACTIONS AND BALANCES:

(a) Key management compensation -

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries and other short-term benefits	<u>20,256,667</u>	<u>20,064,167</u>
Directors' emoluments -		
Directors' fees	2,805,279	2,670,000
Management remuneration (above)	<u>20,256,667</u>	<u>20,064,167</u>

(b) Year end balances arising from transactions with related companies

	<u>2019</u>	<u>2018</u>
	\$	\$
Due from -		
Beta IRS Holdings Inc.	-	54,034,496
Mercury Wireless Limited	9,975,378	43,419,702
Winfra Development Limited	-	6,561,726
Starfish Bay Holdings Limited	-	10,502,176
Hanolu GVM Holdings Limited	-	8,690,482
Alpha Holdings Limited	<u>-</u>	<u>75,401,797</u>
	<u>9,975,378</u>	<u>198,610,379</u>
Due to -		
Sandy GVM Holdings Limited	-	110,974,441
Bioprist Holdings Limited	-	10,941,698
Bioprist Las America Limited.	<u>-</u>	<u>1,173,903</u>
	<u>-</u>	<u>123,090,042</u>

The company is related to the above companies by having similar ownership and/or management control. Balances due from and/or due to these companies have no set repayment terms and are interest free. There are guarantees given by related parties for loans extended to the company (see Note 21).

The director's current account

The directors' balances are unsecured, interest free and have no set repayments terms.

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23. DIVIDENDS:

	<u>2019</u>	<u>2018</u>
	\$	\$
Dividends paid at .08 per stock units	<u>106,602,932</u>	<u>-</u>

24. STAFF COSTS:

Staff costs for the year amounted to \$133,794,566 - (2018 - \$119,443,363), while the number of employees at year end was sixty nine (69) (2018 - 54).

25. CHANGES IN ACCOUNTING POLICIES:

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue Recognition on the company's financial statements.

(a) Impact on financial statements

The company has adopted IFRS 9 and IFRS 15 for the financial year ended 31 October 2019 which resulted in a change in the company's accounting policies. As explained in note 3, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 October 2018, but are recognized in the opening retained earnings on 1 November 2018.

The effect of initially applying these standards is mainly attributed to the following;

- An increase in impairment losses recognized on financial assets
- Additional disclosures related to IFRS 9
- Additional disclosures related to IFRS 15

Except for the changes below, the company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

(b) IFRS Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, reclassification and measurement of financial assets and financial liabilities, de-recognition of financial instruments and impairment of financial assets.

The adoption of IFRS 9 'Financial Instruments' from 1 November 2018 resulted in changes in accounting policies. The new accounting policies are set out in note 3 above. In accordance with transitional provisions in IFRS 9, comparative figures have not been restated.

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25. CHANGES IN ACCOUNTING POLICIES (CONT'D):

(b) IFRS Financial instruments (cont'd)

The impact of transition to IFRS 9 on opening retained earnings is as follows:

Closing balance under IAS 39 (31 October 2018)	318,285,581
Recognition of expected credit losses under IFRS 9: Trade receivables	<u>(2,913,922)</u>
Opening balance under IFRS 9 (1 November 2018)	<u>315,371,659</u>

IFRS 9 contains three principal classification categories for financial assets:

- Amortized cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table and the accompanying notes explain the original measurement categories of loans and receivables under IAS 39 and the new measurement categories of amortized cost under IFRS 9 for each class of the company's financial assets as at 1 November 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 November 2018 relates solely to the new impairment requirements.

	Original classification	New classification under IFRS 9	IAS 9 carrying amount at 31 October 2018 <u>\$'000</u>	Re- Measurement <u>\$'000</u>	IFRS 9 carrying amount At 1 November 2018 <u>\$'000</u>
Financial assets					
Cash and bank balances	Loans and receivables	Amortized cost	266,408,444	-	266,408,444
Receivables	Loans and Receivables	Amortized cost	<u>121,047,186</u>	<u>(2,913,922)</u>	<u>118,132,264</u>
			<u>387,455,630</u>	<u>(2,913,922)</u>	<u>384,541,708</u>

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25. CHANGES IN ACCOUNTING POLICIES (CONT'D):

(c) Impairment of financial assets

The company's trade receivables and cash and cash equivalents are subject to IFRS 9's new expected credit loss model.

Trade receivables

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. This resulted in increased impairment provisions and greater judgement due to the need to factor in forward looking information when estimating the appropriate amount of provisions. In applying IFRS 9 the company considered the probability of a default occurring over the contractual life of its trade receivables balances on initial recognition of those assets.

This resulted in an impact of \$2,913,922 to the opening retained earnings as at 1 November 2018

Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, there was no identified impairment loss.

(d) IFRS 15 Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15 Revenue Recognition from 1 November 2018 resulted in changes in accounting policies. The accounting policies under IAS 18 and IFRS 15 are set out in note 3 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.