

INDIES PHARMA JAMAICA LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2023

INDIES PHARMA JAMAICA LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2023

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INDEPENDENT AUDITORS' REPORT

To the Members of
Indies Pharma Jamaica Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the company's financial statements of Indies Pharma Jamaica Limited set out on pages 6 to 52 which comprise the group and the company's statements of financial position at 31 October 2023, and the group and company's 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 group and the company as at 31 October 2023, and of the group and company's financial performance and 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 group and the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (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 (CONT'D)

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><i>Refer to notes 3(g), 5(d) (ii) and 20 for management's related accounting policies and disclosures</i></p> <p>The expected loss rates are based on the group's historical credit losses experience over the period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information and macroeconomic factors affecting the ability of the customers to settle the receivables as well as probabilities of default representing the likelihood of a customer defaulting on its obligation over the next twelve months or over the remaining lifetime of the obligation. The group has identified the inflation rate of the country and economic variables as impactful on economic outcomes of the customer, and accordingly adjusts the historical loss rates based on estimated changes in these factors.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of management's assumptions and compliance with the requirements of IFRS 9, Financial Instruments. • 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 and other financial instruments. • Testing the aging of accounts receivable and testing the accuracy of the ECL calculation. • Assessment of the adequacy of disclosures in the financial statements. <p>Based on the results of the procedures performed, no adjustments to the financial statements were deemed necessary.</p>
<p>Capitalization of development costs related to pharmaceutical products as intangible assets and subsequent valuation</p> <p><i>Refer to notes 3 (q) and 12 for management's related accounting policies and disclosures</i></p> <p>Capitalized development costs amount to \$441,746,983 as at 31 October 2023. Development costs comprise the expenditure under contracts to develop pharmaceutical products for the market. The group capitalizes the products' development costs upon meeting the criteria as described in IAS 38. Capitalization criteria assessment under IAS 38 requires significant judgment and measurement uncertainty at inception and throughout the life of the products' development stages. Judgements involved determination of the eligibility of the costs for capitalization and assessment by management of expectations and estimates of future outcomes.</p>	<p>Our audit procedures included, amongst others, review of the contracts for development of the products, assessment of the eligibility of the development costs for capitalization as intangible asset under IAS 38, performance of substantive test of details of the capitalized development costs and evaluating the assumptions and methodologies used by the group to test management's expectations and estimates of future economic cash flows as well as considerations of impairment.</p> <p>Based on the audit evidence we have gathered we are satisfied that management has reached its conclusions appropriately.</p>

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

Other information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated and stand-alone 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 consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone 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 consolidated and stand-alone 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 preparation of financial statements that give a true and fair view 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 group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and 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 group and 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 group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Indies Pharma Jamaica Limited

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.

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 Donna Hobson.



Chartered Accountants

30 January 2024

INDIES PHARMA JAMAICA LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2023


	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
REVENUE	6	1,055,458,662	937,282,761
COST OF SALES	8	(328,993,760)	(281,465,031)
GROSS PROFIT		726,464,902	655,817,730
Other operating income	7	<u>19,243,195</u>	<u>3,837,635</u>
		745,708,097	659,655,365
Administrative and other expenses	8	(463,155,517)	(376,864,684)
PROFIT FROM OPERATIONS		282,552,580	282,790,681
Exchange gain/(loss)		1,856,540	(1,747,697)
Finance costs	9	(66,775,929)	(60,251,719)
PROFIT BEFORE TAXATION		217,633,191	220,791,265
Taxation	10	(4,576,361)	-
TOTAL COMPREHENSIVE INCOME		<u>213,056,830</u>	<u>220,791,265</u>
BASIC EARNINGS PER SHARE	11	<u>16¢</u>	<u>17¢</u>

INDIES PHARMA JAMAICA LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2023

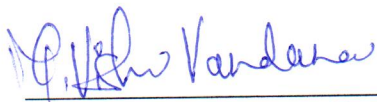
<u>ASSETS</u>	<u>Note</u>	<u>2023</u>	<u>2022</u>
		\$	\$
NON-CURRENT ASSETS:			
Intangible assets	12	441,746,983	379,311,777
Right-of-use assets	13	81,512,812	2,019,016
Investment property	14	55,194,997	-
Investment	16	16,304,676	79,442,695
Deferred tax asset	17	2,204,708	-
Property, plant and equipment	18	886,852,016	947,382,946
Related companies	19	<u>32,676,602</u>	<u>21,008,331</u>
		<u>1,516,492,794</u>	<u>1,429,164,765</u>
CURRENT ASSETS:			
Inventories		170,383,925	175,509,630
Receivables	20	270,307,570	166,804,086
Taxation recoverable		-	1,094,346
Directors' current account	21	26,330,555	41,021,965
Cash and bank balances	22	<u>256,679,585</u>	<u>234,633,949</u>
		<u>723,701,635</u>	<u>619,063,976</u>
		<u>2,240,194,429</u>	<u>2,048,228,741</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	23	244,576,999	244,576,999
Capital reserve	24	458,484,190	458,484,190
Retained earnings		<u>515,982,902</u>	<u>453,902,474</u>
		<u>1,219,044,091</u>	<u>1,156,963,663</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	13	50,921,510	1,249,523
Long term loan	25	805,000,000	805,000,000
Related companies	19	<u>22,393,065</u>	<u>24,538,994</u>
		<u>878,314,575</u>	<u>830,788,517</u>
CURRENT LIABILITIES:			
Payables	26	80,916,474	51,391,655
Short term borrowings	27	11,988,213	7,864,823
Current portion of lease liabilities	13	34,190,312	1,220,083
Taxation		<u>15,740,764</u>	<u>-</u>
		<u>142,835,763</u>	<u>60,476,561</u>
		<u>2,240,194,429</u>	<u>2,048,228,741</u>

Approved for issue by the Board of Directors on 30 January 2024 and signed on its behalf by:



 Guna Sekhar Muppuri - Director





 Vishnu Vandana Muppuri - Director

INDIES PHARMA JAMAICA LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 OCTOBER 2023

	<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 2021		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>458,484,190</u>	<u>383,687,850</u>	<u>1,086,749,039</u>
TOTAL COMPREHENSIVE INCOME						
Net profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>220,791,265</u>	<u>220,791,265</u>
TRANSACTION WITH OWNERS						
Dividends	28	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,576,641)</u>	<u>(150,576,641)</u>
BALANCE AT 31 OCTOBER 2022		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>458,484,190</u>	<u>453,902,474</u>	<u>1,156,963,663</u>
TOTAL COMPREHENSIVE INCOME						
Net profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>213,056,830</u>	<u>213,056,830</u>
TRANSACTION WITH OWNERS						
Dividends	28	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,976,402)</u>	<u>(150,976,402)</u>
BALANCE AT 31 OCTOBER 2023		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>458,484,190</u>	<u>515,982,902</u>	<u>1,219,044,091</u>

INDIES PHARMA JAMAICA LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		213,056,830	220,791,265
Items not affecting cash resources:			
Gain on disposal of property, plant and equipment		(3,065,251)	(1,877,500)
Unrealised exchange (gain)/loss on foreign balances		(187,268)	80,134
Depreciation - right of use assets	13	41,261,146	37,601,916
Depreciation	18	18,896,387	19,239,227
Interest income	7	(1,464,007)	(945,902)
Interest expense	9	56,350,000	56,195,583
Interest expense - right-of-use assets	9	10,425,929	4,056,136
Taxation expense	10	<u>4,576,361</u>	<u>-</u>
		339,850,127	335,140,859
Changes in operating assets and liabilities:			
Inventories		5,125,705	47,086,627
Receivables		(103,503,484)	(5,324,820)
Payables		29,258,680	3,025,196
Related companies		(13,814,200)	(24,123,768)
Directors' current account		14,691,410	(40,265,818)
Taxation recovered/(paid)		<u>7,865,350</u>	<u>(320,040)</u>
Cash provided by operating activities		<u>279,473,588</u>	<u>315,218,236</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	7	1,464,007	945,902
Purchase of property, plant and equipment	18	(14,022,704)	(26,369,252)
Purchase of intangible assets		(62,435,206)	(61,682,809)
Disposal of investment		63,138,019	67,308,869
Proceeds from disposal of property, plant and equipment		<u>3,527,500</u>	<u>1,877,500</u>
Cash used in investing activities		<u>(8,328,384)</u>	<u>(17,919,790)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(56,350,000)	(56,195,583)
Borrowing		59,925	3,431,817
Dividends paid	28	(150,976,402)	(150,576,641)
Lease payments/(liabilities)		<u>(46,349,963)</u>	<u>(48,164,282)</u>
Cash used in financing activities		<u>(253,616,440)</u>	<u>(251,504,689)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,528,764	45,793,757
Exchange effect on foreign cash balances		453,407	100,341
Cash and cash equivalents at beginning of year		<u>233,638,643</u>	<u>187,744,545</u>
CASH AND CASH EQUIVALENTS AT END YEAR	22	<u>251,620,814</u>	<u>233,638,643</u>

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
REVENUE	6	1,055,458,662	937,282,761
COST OF SALES	8	(328,993,760)	(281,465,031)
GROSS PROFIT		726,464,902	655,817,730
Other operating income	7	<u>19,243,195</u>	<u>3,837,635</u>
		745,708,097	659,655,365
Administrative and other expenses	8	(462,275,117)	(374,683,711)
PROFIT FROM OPERATIONS		283,432,980	284,971,654
Exchange gain/(loss)		1,856,540	(1,747,697)
Finance costs	9	(66,775,929)	(60,251,719)
PROFIT BEFORE TAXATION		218,513,591	222,972,238
Taxation	10	(4,576,361)	-
TOTAL COMPREHENSIVE INCOME		<u>213,937,230</u>	<u>222,972,238</u>

INDIES PHARMA JAMAICA LIMITED
STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2023

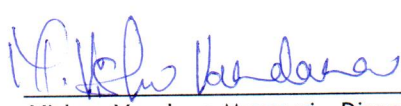
	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
ASSETS			
NON-CURRENT ASSETS:			
Intangible assets	12	441,746,983	379,311,777
Right-of-use asset	13	81,512,812	2,019,016
Investment Property	14	55,194,997	-
Investment in subsidiary	15	100	100
Investment	16	16,304,676	79,442,695
Deferred tax asset	17	2,204,708	-
Property, plant and equipment	18	108,174,019	168,704,949
Related companies	19	<u>457,850,460</u>	<u>445,359,290</u>
		<u>1,162,988,755</u>	<u>1,074,837,827</u>
CURRENT ASSETS:			
Inventories		170,383,925	175,509,630
Receivables	20	270,307,570	166,804,086
Taxation recoverable		-	1,094,346
Directors' current account	21	26,330,555	41,021,964
Cash and bank balances	22	<u>256,679,585</u>	<u>234,633,949</u>
		<u>723,701,635</u>	<u>619,063,975</u>
		<u>1,886,690,390</u>	<u>1,693,901,802</u>
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	23	244,576,999	244,576,999
Capital reserve	24	99,307,105	99,307,105
Retained earnings		<u>522,518,448</u>	<u>459,557,620</u>
		<u>866,402,552</u>	<u>803,441,724</u>
NON-CURRENT LIABILITIES:			
Lease liabilities	13	50,921,510	1,249,523
Long term loan	25	805,000,000	805,000,000
Related companies	19	<u>22,393,065</u>	<u>24,538,994</u>
		<u>878,314,575</u>	<u>830,788,517</u>
CURRENT LIABILITIES:			
Payables	26	80,053,974	50,586,655
Short term borrowings	27	11,988,213	7,864,823
Current portion of lease liabilities	13	34,190,312	1,220,083
Taxation		<u>15,740,764</u>	<u>-</u>
		<u>141,973,263</u>	<u>59,671,561</u>
		<u>1,886,690,390</u>	<u>1,693,901,802</u>

Approved for issue by the Board of Directors of Indies Pharma Jamaica Limited for the year ended 31 October 2024 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 2023

	<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 2021		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>99,307,105</u>	<u>387,162,023</u>	<u>731,046,127</u>
TOTAL COMPREHENSIVE INCOME						
Net profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>222,972,238</u>	<u>222,972,238</u>
TRANSACTION WITH OWNERS						
Dividends	28	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,576,641)</u>	<u>(150,576,641)</u>
BALANCE AT 31 OCTOBER 2022		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>99,307,105</u>	<u>459,557,620</u>	<u>803,441,724</u>
TOTAL COMPREHENSIVE INCOME						
Net profit		<u>-</u>	<u>-</u>	<u>-</u>	<u>213,937,230</u>	<u>213,937,230</u>
TRANSACTION WITH OWNERS						
Dividends	28	<u>-</u>	<u>-</u>	<u>-</u>	<u>(150,976,402)</u>	<u>(150,976,402)</u>
BALANCE AT 31 OCTOBER 2023		<u>1,332,536,649</u>	<u>244,576,999</u>	<u>99,307,105</u>	<u>522,518,448</u>	<u>866,402,552</u>

INDIES PHARMA JAMAICA LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 OCTOBER 2023

	<u>Note</u>	<u>2023</u> \$	<u>2022</u> \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		213,937,230	222,972,238
Items not affecting cash resources:			
Gain on sale of property, plant and equipment		(3,065,251)	(1,877,500)
Unrealised exchange (gain)/loss on foreign balances		(187,268)	80,134
Depreciation - right-of-use assets	13	41,261,146	37,601,916
Depreciation	18	18,896,387	19,239,227
Interest income	7	(1,464,007)	(945,902)
Interest expense	9	56,350,000	56,195,583
Interest expenses - right-of-use assets	9	10,425,929	4,056,136
Taxation expense	10	<u>4,576,361</u>	<u>-</u>
		340,730,527	337,321,832
Change in operating assets and liabilities -			
Inventories		5,125,705	47,086,627
Receivables		(103,503,484)	(5,324,820)
Payables		29,201,180	2,920,197
Related companies		(14,637,100)	(34,458,509)
Directors' current account		14,691,410	(40,265,818)
Taxation recovered/(paid)		<u>7,865,350</u>	<u>(320,040)</u>
Cash provided by operating activities		<u>279,473,588</u>	<u>306,959,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	7	1,464,007	945,902
Disposal of investment		63,138,019	67,308,869
Purchase of property, plant and equipment	18	(14,022,704)	(18,110,485)
Purchase of intangible assets		(62,435,206)	(61,682,809)
Proceed from disposal of property, plant and equipment		<u>3,527,500</u>	<u>1,877,500</u>
Cash used in investing activities		<u>(8,328,384)</u>	<u>(9,661,023)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest paid		(56,350,000)	(56,195,583)
Borrowing		59,925	3,431,817
Dividends paid	28	(150,976,402)	(150,576,641)
Lease payments/liabilities		<u>(46,349,963)</u>	<u>(48,164,282)</u>
Cash used in financing activities		<u>(253,616,440)</u>	<u>(251,504,689)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		17,528,764	45,793,757
Exchange effect on foreign cash balances		453,407	100,341
Cash and cash equivalents at beginning of year		<u>233,638,643</u>	<u>187,744,545</u>
CASH AND CASH EQUIVALENTS AT END YEAR	22	<u>251,620,814</u>	<u>233,638,643</u>

INDIES PHARMA JAMAICA LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 OCTOBER 2023****1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

- (a) Indies Pharma Jamaica Limited (“the company”) is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 1a Pimento Way, Freeport, Montego Bay, St. James.
- (b) The company is a subsidiary of Bioprist Holdings Inc., a company incorporated and domiciled in Saint Lucia.
- (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.
- (e) The principal activity of the subsidiary is real estate development.

2. FUNCTIONAL AND PRESENTATION CURRENCY:

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

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these consolidated 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. They are also prepared in accordance with requirements of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. Although these estimates are based on management’s best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

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 group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following amendments are immediately relevant to its operations.

Amendments to IAS 16 'Property, Plant and Equipment, (effective for accounting periods beginning on or after 1 January 2022). The amendment changes the accounting for proceeds from sale of items produced before Property, Plant and Equipment (PPE) is available for use. Previously, IAS 16 requires the proceeds from selling items before intended use to be offset against the cost of PPE. Under the amendments these proceeds are to be included in the statement of profit or loss and should not be deducted from the cost of PPE.

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this amendment did not have a significant impact on the group.

Annual Improvements to IFRS Standards 2018-2020 cycle (effective for accounting periods beginning on or after 1 January 2022). These amendments include minor changes to the following applicable standards:

- (i) IFRS 9. 'Financial Instruments' amendment clarifies that - for the purpose of performing the '10 per cent test' for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- (ii) IFRS 16, 'Leases' amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The adoption of these standards and amendments did not have a significant impact on the group.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but not yet effective and which the group has not early adopted.

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver of breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 1, 'Presentation of Financial Statements', Practice Statement 2 and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2023). The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a group develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a significant impact on the group.

Amendments to IAS 12 'Income Taxes', (effective for accounting periods beginning on or after 1 January 2023). The main change in deferred tax related to assets and liabilities from a single transaction is an exemption from the initial recognition exemption provided in IAS 12.15 and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The group is assessing the impact this amendment will have on its 2024 financial statements.

Amendments to IAS 1, 'Non-Current Liabilities with Covenants (effective for accounting periods beginning on or after 1 January 2024). Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enable users of the financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The adoption of these amendments is not expected to have a significant impact on the group.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

The group does not expect any other standards or interpretations issued by the IASB, but not yet effective, to have a material effect on its financial position.

(b) **Basis of consolidation**

A subsidiary is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases. The consolidated financial statements include the financial statements of the company and its wholly-owned subsidiary, Indies Pharma Business Park Limited. The company and its subsidiary are collectively referred to as the group. The parent company currently administers the affairs of the subsidiary, handles its banking transactions and bears the related expenses. Balances and transactions between companies within the group, and any unrealized gains arising from those transactions, are eliminated in preparing the consolidated financial statements.

(c) **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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Foreign currency translation (cont'd)

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.

(d) 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.

(e) 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) **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.

(g) **Financial instruments**

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.

Financial assets

(i) **Recognition and derecognition**

Financial assets are initially recognised on the settlement date, which is the date that an asset is delivered to the group. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the group is recognized as a separate asset or liability.

(ii) **Classification**

The group classifies all of its financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

The group classifies its financial assets as those measured at fair value through profit or loss and amortized cost.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Financial instruments (cont'd)

(iii) Measurement

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 group 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 (e.g. trade receivables), but also incorporate 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 (SPPI). 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.

The group's financial assets measured at amortized cost comprise trade and other receivables, short term deposits and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at fair value. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, net of bank overdraft.

(iv) 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Financial instruments (cont'd)

(iv) Impairment (cont'd)

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.

Financial liabilities

The group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: payables, long term loan, related company balances and lease liabilities.

The group derecognises a financial liability when its contractual obligations expire or are discharged or cancelled.

(h) 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.

(i) Right-of-use assets

Right-of-use assets are initially measured at an amount equal to the initial value of the lease obligation which is subsequently, adjusted for the following items:

- i) Any lease payments made at or before the commencement date, less any lease incentives received;
- ii) Any initial direct costs incurred by the group;
- iii) An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Right-of-use assets (cont'd)

For short-term leases that have a lease term of 12 months or less and low-value assets, the group has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

Right-of-use assets are depreciated using the straight-line method from the date of commencement of the lease to the earlier of the end of the useful life of the asset or end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

(j) Investment in subsidiaries

Investment by the company in its subsidiary is stated at cost.

(k) Dividend distribution

Dividends are recorded as a deduction from equity and recognized as a liability in the company's financial statements in the period in which the dividends are declared or approved. In the case of interim dividends to shareholders, this is when declared by the directors and final dividends when approved by the company's shareholders.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note.

(l) 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.

(m) Provisions

Provisions are recognized when the group 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) 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 group'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.

(o) 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.

(p) Revenue recognition

Sale of goods

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the group for goods supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods passes to the customer. Revenue is decreased by any trade discounts granted to customers.

For contracts that permit return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

The right to recover returned goods is measured at the former carrying amount of inventory less any expected cost to recover.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(p) Revenue recognition (cont'd)

Interest income

Interest income is recognised in profit or loss using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

(q) Intangible assets

Intangible assets represent products being developed and are shown at cost incurred which will be amortized to profit or loss on commencement of commercial production and selling over the years on the straight line basis.

(r) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated using the straight line method from the commencement date to the end of the lease term.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives receivable
- Payment of penalties for terminating the lease, if the lease reflects the group exercising that option.

The lease liability is measured at amortized cost using the effective interest method.

As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned income. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(s) Segment reporting

An operating segment is a component of the group 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 group are considered as one operating segment.

(t) Investment property

Investment property represents land and building held for long-term rental yields and capital gain. Investment property is initially recognised at cost, including transaction costs. The carrying amount excludes the costs of day-to-day servicing of the investment property.

(u) Earning per share

Earnings per share is calculated by dividing the operating results for the year by the weighted average number of shares in issue.

(v) Related parties

A party is related to the group, if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the group;
 - (b) has an interest in the group that gives it significant influence over the entity; or
 - (c) has joint control over the group.
- (ii) The party is an associate of the group;
- (iii) The party is a joint venture in which the group is a venturer;
- (iv) The party is a member of the key management personnel of the entity or its parent. Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the group, including directors and officers and close members of the families of these individuals;

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(v) Related parties (cont'd)

- (v) The party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) The party is a post-employment benefit plan for the benefit of employees of the group, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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 group's accounting policies

In the process of applying the group'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 group 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 of 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 group 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 2023

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

(b) **Key sources of estimation uncertainty (cont'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 group considers the maximum contractual period over which the group 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 group is exposed to credit risk and where the credit losses would be mitigated by management actions.

(iv) **Income taxes**

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

5. FINANCIAL RISK MANAGEMENT:

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

There have been no substantive changes in the group'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.

(a) Principal financial instruments

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

- Trade receivables
- Investment
- Cash and bank balances
- Trade and other payables
- Due to and from related parties
- Bank overdraft
- Borrowings

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments by category

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Financial assets - loans and receivables:		
Related parties	32,676,602	21,008,331
Investment	16,304,676	79,442,695
Cash and bank balances	256,679,585	234,633,949
Receivables	<u>270,307,570</u>	<u>166,804,086</u>
Total financial assets	<u>575,968,433</u>	<u>501,889,061</u>
Financial liabilities - at amortized cost:		
Payables	80,916,474	51,391,655
Loans and borrowings	816,988,213	812,864,823
Lease liabilities	85,111,822	2,469,606
Related parties	<u>22,393,065</u>	<u>24,538,994</u>
Total financial liabilities	<u>1,005,409,574</u>	<u>891,265,078</u>
	<u>The Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Financial assets - loans and receivables:		
Related parties	457,850,460	445,359,290
Investment	16,304,676	79,442,695
Cash and bank balances	256,679,585	234,633,949
Receivables	<u>270,307,570</u>	<u>166,804,086</u>
Total financial assets	<u>1,001,142,291</u>	<u>926,240,020</u>
Financial liabilities - at amortized cost:		
Payables	80,053,974	50,586,655
Loans and borrowings	816,988,213	812,864,823
Lease liabilities	85,111,822	2,469,606
Related parties	<u>22,393,065</u>	<u>24,538,994</u>
Total financial liabilities	<u>1,004,547,074</u>	<u>890,460,078</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

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

(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 group'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 group'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.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the group'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 group 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 group further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets.

Concentration of currency risk

The group is exposed to foreign currency risk in respect of US dollar cash and bank and payables balances amounting to \$142,751,582 (2022: \$219,000,383) and \$25,463,648 (2022: \$4,315,906) respectively.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

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

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

(i) **Market risk (cont'd)**

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, accounts receivable, investments and payable balances, and adjusts their translation at the year end for 4% (2022 - 4%) depreciation and a 1% (2022 - 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	<u>% Change in Currency Rate</u> <u>2023</u>	<u>Effect on Profit before Taxation</u> <u>2023</u> \$	<u>% Change in Currency rate</u> <u>2022</u>	<u>Effect on Profit before Taxation</u> <u>2022</u> \$
Currency:				
USD	-4	4,691,517	-4	8,587,379
USD	+1	<u>(1,172,879)</u>	<u>+1</u>	<u>(2,146,845)</u>

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

The group is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The group 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 group. The group'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
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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 long term borrowings as these are at a fixed rate of interest. Short term borrowings are immaterial.

(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 companies and cash and bank balances.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The group 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 group'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 group's standard payment and delivery terms and conditions are offered. The group'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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables (cont'd)

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 group 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.

The expected loss rates are based on the group'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 group 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 2023.

<u>Aging</u>	<u>Gross Carrying Amount</u>	<u>Expected Loss Rate</u>	<u>ECL Allowance</u>
	\$	%	\$
Trade receivables:			
0-30 days	102,805,083	4	4,190,071
31-60 days	35,647,545	5	1,777,015
61-90 days	7,917,812	10	783,088
90-120 days	5,889,081	10	587,180
120 and over	<u>13,977,948</u>	16	<u>2,207,732</u>
	<u>166,237,469</u>		<u>9,545,086</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

The following table provides information about ECLs for trade receivables as at 31 October 2023. (cont'd)

<u>Aging</u>	<u>Gross Carrying Amount</u> ₤	<u>Expected Loss Rate</u> %	<u>ECL Allowance</u> ₤
Trade receivables (2022):			
0-30 days	59,369,759	4	2,636,525
31-60 days	31,210,294	5	1,536,322
61-90 days	6,070,231	9	543,323
90-120 days	1,289,398	9	121,291
120 and over	<u>15,497,914</u>	11	<u>1,767,686</u>
	<u>113,437,596</u>		<u>6,605,147</u>

Movements in the impairment allowance for trade receivables are as follows:

	<u>2023</u> ₤	<u>2022</u> ₤
At 1 November	6,605,147	9,083,209
Increase/(decrease) during the year	<u>2,939,939</u>	<u>(2,478,062)</u>
At 31 October	<u>9,545,086</u>	<u>6,605,147</u>

(iii) Liquidity risk

Liquidity risk is the risk that the group 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.

Liquidity risk management process

The group's liquidity risk management process, as carried out within the group 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.

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

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

Cash flows of financial liabilities

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

	The Group				Total
	Within 1	1 to 2	2 to 5	Over 5	
	Year	Years	Years	Years	
	J\$	J\$	J\$	J\$	J\$
31 October 2023					
Payables	80,916,474	-	-	-	80,916,474
Loan term borrowing	56,350,000	861,350,000	-	-	917,700,000
Short term borrowings	11,988,213	-	-	-	11,988,213
Lease liabilities	47,161,230	47,161,230	47,161,230	-	141,483,690
Related companies	-	-	-	22,393,065	22,393,065
Total financial liabilities (contractual maturity dates)	<u>196,415,917</u>	<u>908,511,230</u>	<u>47,161,230</u>	<u>22,393,065</u>	<u>1,174,481,442</u>
31 October 2022					
Payables	51,391,655	-	-	-	51,391,655
Loan term borrowing	56,350,000	56,350,000	861,350,000	-	974,050,000
Short term borrowings	7,864,823	-	-	-	7,864,823
Related companies	-	-	-	24,538,994	24,538,994
Total financial liabilities (contractual maturity dates)	<u>115,606,478</u>	<u>56,350,000</u>	<u>861,350,000</u>	<u>24,538,994</u>	<u>1,057,845,472</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

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

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

(iii) **Liquidity risk (cont'd)**

	The Company				
	Within 1	1 to 2	2 to 5	Over 5	Total
	<u>Year</u>	<u>Years</u>	<u>Years</u>	<u>Years</u>	<u>Total</u>
	<u>J\$</u>	<u>J\$</u>	<u>J\$</u>	<u>J\$</u>	<u>J\$</u>
31 October 2023					
Payables	80,053,974	-	-	-	80,053,974
Loan term borrowing	56,350,000	861,350,000	-	-	917,700,000
Lease liabilities	47,161,230	47,161,230	47,161,230	-	141,483,690
Short term borrowings	11,988,213	-	-	-	11,988,213
Related companies	-	-	-	22,393,065	22,393,065
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities (contractual maturity dates)	<u>195,553,417</u>	<u>908,511,230</u>	<u>47,161,230</u>	<u>22,393,065</u>	<u>1,173,618,942</u>
31 October 2022					
Payables	50,586,655	-	-	-	50,586,655
Loan term borrowing	56,350,000	56,350,000	861,350,000	-	974,050,000
Short term borrowings	7,864,823	-	-	-	7,864,823
Related companies	-	-	-	24,538,994	24,538,994
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total financial liabilities (contractual maturity dates)	<u>114,801,478</u>	<u>56,350,000</u>	<u>861,350,000</u>	<u>24,538,994</u>	<u>1,057,040,472</u>

(iv) **Capital management**

The group's objectives when managing capital are to safeguard the group'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 group 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 group 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.

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

6. REVENUE:

The Group and the Company

	<u>2023</u>	<u>2022</u>
	\$	\$
Sale and distribution of pharmaceutical products	<u>1,055,458,662</u>	<u>937,282,761</u>

7. OTHER OPERATING INCOME:

The Group and the Company

	<u>2023</u>	<u>2022</u>
	\$	\$
Interest received	1,464,007	945,902
Insurance claim	11,088,780	701,890
Rental Income	3,503,250	-
Gain on disposal of property, plant and equipment	3,065,250	1,877,500
Miscellaneous	<u>121,908</u>	<u>312,343</u>
	<u>19,243,195</u>	<u>3,837,635</u>

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. EXPENSES BY NATURE:

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

	The Group	
	<u>2023</u>	<u>2022</u>
	\$	\$
Cost of sales recognized as an expense	328,993,760	281,465,031
Salaries, wages, and statutory contributions	177,451,212	156,551,856
Directors' fees	3,295,000	4,069,997
Telephone	5,279,828	4,973,056
Electricity	4,062,878	5,852,478
Water rates	448,861	431,208
Rent	1,445,789	1,453,386
Audit and accounting fees -		
Current year	5,119,000	5,514,127
Prior year		-
Subscriptions and donations	785,179	2,027,523
Gifts	315,081	841,165
Printing, stationery and office supplies	6,287,397	4,560,651
Security	2,823,524	1,952,974
Insurance	11,929,010	10,252,945
Repairs and maintenance - furniture and equipment	5,850,748	9,211,631
Maintenance fee - building	12,818,671	11,437,147
Trade licence, registration fee and trademark	914,510	748,480
Bank charges	3,294,696	2,217,325
Staff welfare	10,581,821	5,916,083
Legal and professional fees	18,263,157	13,414,634
Property taxes	-	764,600
Drug permit	7,200	10,000
Interest and penalty	7,000	229,295
Cleaning and sanitation	5,800	99,835
Contract labour	1,335,257	940,312
Advertising and promotion	5,266,422	4,980,990
Packaging	-	460,642
Expected credit losses - net of recoveries	3,326,278	609,424
Postage and delivery	786,575	566,587
Motor vehicles, travel and entertainment	53,076,112	48,658,860
Royalties	68,829,500	20,575,942
Miscellaneous	(608,522)	700,388
Depreciation	<u>60,157,533</u>	<u>56,841,143</u>
	<u>792,149,277</u>	<u>658,329,715</u>

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

8. EXPENSES BY NATURE (CONT'D):

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

	<u>The Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Cost of sales recognized as an expense	328,993,760	281,465,031
Salaries, wages and statutory contributions	177,451,212	156,551,856
Directors' fees	3,295,000	4,069,997
Telephone	5,279,828	4,973,056
Electricity	4,062,878	5,852,478
Water rates	448,861	431,208
Rent	1,445,789	1,453,386
Audit and accounting fees -		
Current year	4,269,000	4,686,627
Subscriptions and donations	785,179	2,027,523
Gifts	315,081	841,165
Printing, stationery and office supplies	6,287,397	4,560,651
Security	2,823,524	1,952,974
Insurance	11,929,010	10,252,945
Repairs and maintenance - furniture and equipment	5,820,348	9,211,631
Maintenance fee - building	12,818,671	11,437,147
Trade licence, registration fee and trademark	914,510	748,480
Bank charges	3,294,696	2,217,325
Staff welfare	10,581,821	5,916,083
Legal and professional fees	18,263,157	13,335,664
Drug permit	7,200	10,000
Interest and penalty	7,000	229,295
Cleaning and sanitation	5,800	99,835
Contract labour	1,335,257	940,312
Advertising and promotion	5,266,422	4,980,990
Packaging	-	460,642
Expected credit losses - net of recoveries	3,326,278	609,424
Postage and delivery	786,575	566,587
Motor vehicles, travel and entertainment	53,076,112	48,658,860
Royalties	68,829,500	20,575,942
Miscellaneous	(608,522)	190,485
Depreciation	<u>60,157,533</u>	<u>56,841,143</u>
	<u>791,268,877</u>	<u>656,148,742</u>

9. FINANCE COSTS:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Interest expense	<u>66,775,929</u>	<u>60,251,719</u>

INDIES PHARMA JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

10. TAXATION EXPENSE:

- (a) Taxation is computed on the profit for the year, adjusted for taxation purposes, and comprises income tax @ 25%.

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	₤	₤
Current taxation	6,781,069	-
Deferred taxation	(2,204,708)	-
Taxation charge in statement of profit or loss and other comprehensive income	<u>4,576,361</u>	<u>-</u>

- (b) The tax on profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	<u>The Group</u>	
	<u>2023</u>	<u>2022</u>
	₤	₤
Profit before taxation	<u>217,633,191</u>	<u>220,791,265</u>
Tax calculated at the applicable tax rates	54,408,298	55,197,816
Adjusted for the effects of:		
Expenses not deductible for tax purposes	14,679,385	14,872,702
Net effects of other charges and allowances	(3,764,807)	(2,801,895)
Deferred taxation	(2,204,708)	-
Remission of taxes	(58,541,807)	(67,268,623)
Taxation charge in statement of profit or loss	<u>4,576,361</u>	<u>-</u>

	<u>The Company</u>	
	<u>2023</u>	<u>2022</u>
	₤	₤
Profit before taxation	<u>218,513,591</u>	<u>222,972,238</u>
Tax calculated at the applicable tax rates	54,628,398	55,743,060
Adjusted for the effects of:		
Expenses not deductible for tax purposes	14,679,385	14,872,702
Net effects of other charges and allowances	(3,984,907)	(3,347,139)
Deferred taxation	(2,204,708)	-
Remission of taxes	(58,541,807)	(67,268,623)
Taxation charge in statement of profit or loss and other comprehensive income	<u>4,576,361</u>	<u>-</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2023

10. TAXATION EXPENSE (CONT'D):

(c) Remission of Income Tax:

As a result of the company's listing on the Junior Market of the Jamaica Stock Exchange effective 15 August 2018, 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: (August 2018 - July 2023) 100%
 Years 6 - 10: (August 2023 - July 2028) 50%

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

11. EARNINGS PER STOCK UNIT:

	<u>2023</u> \$	<u>2022</u> \$
Net profit attributable to stockholders (\$)	<u>213,056,830</u>	<u>220,791,265</u>
Weighted average number of stock units in issue	<u>1,332,536,649</u>	<u>1,332,536,649</u>
Earnings per stock unit (cents per share)	<u>16¢</u>	<u>17¢</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.

12. INTANGIBLE ASSETS:

Intangibles relate to two pharmaceutical drugs being developed by the company through an agreement with KP Pharmaceutical Technology Inc.

13. RIGHT-OF-USE ASSETS:

(i) Amounts recognised in the statement of financial position.

The statement of financial position shows the following amounts relating to leases:

	<u>The Group and the Company</u> <u>2023</u> \$	<u>The Group and the Company</u> <u>2022</u> \$
Right-of-use assets		
Building -		
Balance at beginning of year	2,019,016	39,620,932
Additions	120,754,942	-
Depreciation	<u>(41,261,146)</u>	<u>(37,601,916)</u>
Balance at 31 October	<u>81,512,812</u>	<u>2,019,016</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

13. **RIGHT-OF-USE ASSETS (CONT'D):**

(ii) **Amounts recognised in the statement of profit or loss**

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge on right-of-use assets

	<u>2023</u>	<u>2022</u>
	\$	\$
Buildings	<u>41,261,146</u>	<u>37,601,916</u>

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at the commencement date less any lease incentives received.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

(iii) The company currently has long term lease agreements related to buildings.

(a) **Amounts recognised in the statement of financial position.**

The statement of financial position shows the following amounts relating to leases:

	<u>The Group and the Company</u>	<u>The Group and the Company</u>
	<u>2023</u>	<u>2022</u>
	\$	\$
Lease liabilities -		
Contractual discounted cash flows	85,111,822	2,469,606
Less: Current portion	<u>(34,190,312)</u>	<u>(1,220,083)</u>
Non-Current	<u>50,921,510</u>	<u>1,249,523</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

13. **RIGHT-OF-USE ASSETS (CONT'D):**

(a) **Amounts recognised in the statement of profit or loss**

The statement of profit or loss shows the following amounts relating to leases:

	<u>The Group and the Company</u> <u>2023</u> \$	<u>The Group and the Company</u> <u>2022</u> \$
Interest expense	<u>10,425,929</u>	<u>4,056,136</u>

Incremental borrowing rate

The incremental borrowing rate is derived using recent third-party financing received by bankers as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and makes adjustments specific to the lease, e.g. term, country, currency and security.

The weighted average rate applied is 8%.

14. **INVESTMENT PROPERTY:**

	<u>The Group and the Company</u>	
	<u>2023</u> \$	<u>2022</u> \$
Reclassification at cost	<u>55,194,997</u>	<u>-</u>
Closing balance	<u>55,194,997</u>	<u>-</u>

Freehold land and building at Lot 5, Strata Plan 909, registered at volume 1318 folio 82, Lot 1 Montego Bay Trade Centre, Catherine Hall, Montego Bay were revalued as at 15 September 2021 by Langford and Brown, professionally qualified property appraisers. The valuation was done on the basis of open market value.

Level 3 fair value measurement are those derived from inputs from the assets or liability that are based on observation of market date (that is, unobservable inputs). The property fair value of the property is \$97,500,000.

The property was leased on 1 June 2023, and was therefore reclassified to investment property (note 18).

The income earned from the investment property is included in note 7. Expenses incurred are included in direct property operating expenses (note 8)

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

15. **INVESTMENT IN SUBSIDIARY:**

The company owns 100% of the shares of Indies Pharma Business Park Limited, which and is stated at cost.

16. **INVESTMENT:**

This represents participation in an indexed linked US\$ note issued by Proven Investments Limited which matures 16 April 2024 and earns interest at 3.25% per annum.

17. **DEFERRED TAX:**

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%

The movement on deferred income tax account (prior to offsetting) is as follows:

	<u>2023</u>	<u>2022</u>
	\$	\$
Asset at beginning of year	-	-
Credited to statement of comprehensive income (Note 10)	<u>2,204,708</u>	<u>-</u>
Asset at end of year	<u>2,204,708</u>	<u>-</u>

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 OCTOBER 2023

18. **PROPERTY, PLANT AND EQUIPMENT:**

	<u>The Group</u>						
Year ended 31 October 2023	<u>Land</u> \$	<u>Leasehold Improvements & Building</u> \$	<u>Furniture, Fixtures & Equipment</u> \$	<u>Computer</u> \$	<u>Motor Vehicles</u> \$	<u>Signs</u> \$	<u>Total</u> \$
Net book value -							
1 November 2022	792,700,000	116,901,551	16,366,403	3,145,389	18,269,602	1	947,382,946
Disposal	-	-	-	-	(462,250)	-	(462,250)
Reclassification	(27,700,000)	(27,494,997)	-	-	-	-	(55,194,997)
Additions	-	-	631,400	-	13,391,304	-	14,022,704
Depreciation	-	(9,517,131)	(1,370,002)	(1,071,625)	(6,937,629)	-	(18,896,387)
31 October 2023	<u>765,000,000</u>	<u>79,889,423</u>	<u>15,627,801</u>	<u>2,073,764</u>	<u>24,261,027</u>	<u>1</u>	<u>886,852,016</u>
At cost or							
valuation	765,000,000	104,494,619	24,646,755	15,282,784	85,250,704	63,401	994,738,263
Depreciation	-	(24,605,196)	(9,018,954)	(13,209,020)	(60,989,677)	(63,400)	(107,886,247)
31 October 2023	<u>765,000,000</u>	<u>79,889,423</u>	<u>15,627,801</u>	<u>2,073,764</u>	<u>24,261,027</u>	<u>1</u>	<u>886,852,016</u>
Year ended 31 October 2022							
	<u>Land</u> \$	<u>Leasehold Improvements & Building</u> \$	<u>Furniture, Fixtures & Equipment</u> \$	<u>Computer</u> \$	<u>Motor Vehicles</u> \$	<u>Signs</u> \$	<u>Total</u> \$
Net book value -							
1 November 2021	792,700,000	118,813,144	8,232,849	3,540,346	16,966,581	1	940,252,921
Additions	-	8,258,767	9,300,000	680,050	8,130,435	-	26,369,252
Depreciation	-	(10,170,360)	(1,166,446)	(1,075,007)	(6,827,414)	-	(19,239,227)
31 October 2022	<u>792,700,000</u>	<u>116,901,551</u>	<u>16,366,403</u>	<u>3,145,389</u>	<u>18,269,602</u>	<u>1</u>	<u>947,382,946</u>
At cost or							
valuation	792,700,000	146,794,619	24,015,355	15,282,784	79,229,271	63,401	1,058,085,430
Depreciation	-	(29,893,068)	(7,648,952)	(12,137,395)	(60,959,669)	(63,400)	(110,702,484)
31 October 2022	<u>792,700,000</u>	<u>116,901,551</u>	<u>16,366,403</u>	<u>3,145,389</u>	<u>18,269,602</u>	<u>1</u>	<u>947,382,946</u>

INDIES PHARMA JAMAICA LIMITED
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18. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

		<u>The Company</u>						
Year ended 31 October 2023		<u>Land</u>	<u>Leasehold</u>	<u>Furniture,</u>	<u>Computer</u>	<u>Motor</u>	<u>Signs</u>	<u>Total</u>
		<u>₹</u>	<u>& Building</u>	<u>Fixtures &</u>	<u>₹</u>	<u>Vehicles</u>	<u>₹</u>	<u>₹</u>
		<u>₹</u>	<u>₹</u>	<u>Equipment</u>	<u>₹</u>	<u>₹</u>	<u>₹</u>	<u>₹</u>
Net book value -								
1 November 2022	27,700,000	103,223,554	16,366,403	3,145,389	18,269,602	1	168,704,949	
Disposal	-	-	-	-	(462,250)	-	(462,250)	
Reclassification	(27,700,000)	(27,494,997)	-	-	-	-	(55,194,997)	
Additions	-	-	631,400	-	13,391,304	-	14,022,704	
Depreciation	-	(9,517,131)	(1,370,002)	(1,071,625)	(6,937,629)	-	(18,896,387)	
31 October 2023	<u>-</u>	<u>66,211,426</u>	<u>15,627,801</u>	<u>2,073,764</u>	<u>24,261,027</u>	<u>1</u>	<u>108,174,019</u>	
At cost or								
valuation	-	90,816,621	24,646,755	15,282,784	85,250,704	63,401	216,060,265	
Depreciation	-	(24,605,195)	(9,018,954)	(13,209,020)	(60,989,677)	(63,400)	(107,886,246)	
31 October 2023	<u>-</u>	<u>66,211,426</u>	<u>15,627,801</u>	<u>2,073,764</u>	<u>24,261,027</u>	<u>1</u>	<u>108,174,019</u>	
Year ended 31 October 2022								
	<u>Land</u>	<u>Leasehold</u>	<u>Furniture,</u>	<u>Computer</u>	<u>Motor</u>	<u>Signs</u>	<u>Total</u>	
	<u>₹</u>	<u>& Building</u>	<u>Fixtures &</u>	<u>₹</u>	<u>Vehicles</u>	<u>₹</u>	<u>₹</u>	
	<u>₹</u>	<u>₹</u>	<u>Equipment</u>	<u>₹</u>	<u>₹</u>	<u>₹</u>	<u>₹</u>	
Net book value -								
1 November 2021	27,700,000	113,393,914	8,232,849	3,540,346	16,966,581	1	169,833,691	
Additions	-	-	9,300,000	680,050	8,130,435	-	18,110,485	
Depreciation	-	(10,170,360)	(1,166,446)	(1,075,007)	(6,827,414)	-	(19,239,227)	
31 October 2022	<u>27,700,000</u>	<u>103,223,554</u>	<u>16,366,403</u>	<u>3,145,389</u>	<u>18,269,602</u>	<u>1</u>	<u>168,704,949</u>	
At cost or								
valuation	27,700,000	133,116,622	24,015,355	15,282,784	76,929,271	63,401	277,107,433	
Depreciation	-	(29,893,068)	(7,648,952)	(12,137,395)	(58,659,669)	(63,400)	(108,402,484)	
31 October 2022	<u>27,700,000</u>	<u>103,223,554</u>	<u>16,366,403</u>	<u>3,145,389</u>	<u>18,269,602</u>	<u>1</u>	<u>168,704,949</u>	

INDIES PHARMA JAMAICA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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19. RELATED PARTY TRANSACTIONS AND BALANCES:

(a)	Transactions between the company and its related company	<u>2023</u> \$	<u>2022</u> \$
	Mercury Wireless Limited - Rental and maintenance expenses	<u>57,953,358</u>	<u>57,832,499</u>
(b)	Key management compensation -	<u>The Group and the Company</u>	
		<u>2023</u> \$	<u>2022</u> \$
	Salaries and other short term benefits	<u>26,040,666</u>	<u>23,320,000</u>
	Directors' emoluments - Directors' fees	3,295,000	4,069,997
	Management remuneration (above)	<u>26,040,666</u>	<u>23,320,000</u>
(c)	Year end balances arising from transactions with related companies	<u>The Group</u>	
	Due from - Mercury Wireless Limited	<u>32,676,602</u>	<u>21,008,331</u>
	The directors' current account	<u>26,330,555</u>	<u>41,021,965</u>
	The directors' balances are unsecured, interest free and have no set repayments terms.		
		<u>2023</u> \$	<u>2022</u> \$
	Due to - Bioprist Las Americas Limited.	<u>22,393,065</u>	<u>24,538,994</u>

- (i) The group is related to the above companies by having similar ownership and/or management control. Balances due from and/or due to these groups have no fixed repayment terms and are interest free. There are guarantees given by related parties for loans extended to the group and not repayable before 31 October 2024.
- (ii) The amounts due from/to related companies represent loans and expenses paid on their behalf.

INDIES PHARMA JAMAICA LIMITED
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19. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

(c) **Year end balances arising from transactions with related companies (cont'd)**

	<u>The Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Due from -		
Indies Pharma Business Park Limited	424,714,886	423,891,986
Mercury Wireless Limited	<u>33,135,574</u>	<u>21,467,304</u>
	<u>457,850,460</u>	<u>445,359,290</u>
The directors' current account	<u>26,330,555</u>	<u>41,021,964</u>

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

	<u>2023</u>	<u>2022</u>
	\$	\$
Due to -		
Bioprist Las Americas Limited	<u>22,393,065</u>	<u>24,538,994</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 fixed repayment terms and are interest free. There are guarantees given by related parties for loans extended to the company and not repayable before 31 October 2024.

20. **RECEIVABLES:**

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Trade receivables	166,237,469	113,437,596
Less: Expected credit loss	(9,545,086)	(6,605,147)
	156,692,383	106,832,449
Prepayments	110,654,523	57,609,177
Other	<u>2,960,664</u>	<u>2,362,460</u>
	<u>270,307,570</u>	<u>166,804,086</u>

INDIES PHARMA JAMAICA LIMITED
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21. DIRECTORS' CURRENT ACCOUNT:

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

22. CASH AND CASH EQUIVALENTS:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	<u>₹</u>	<u>₹</u>
Cash and bank balances-		
Petty cash	220,000	200,000
Cash on hand	2,953,422	3,218,330
National Commercial Bank Jamaica Limited -		
Foreign Currency Account	102,593,852	6,342,598
National Commercial Bank Jamaica Limited - Current Account	5,981,895	10,274,498
National Commercial Bank Jamaica Limited - Savings Account	72,408,249	157,584,620
Sagicor Bank Jamaica Limited - Current Account	1,230,468	1,940,739
Sagicor Bank Jamaica Limited - Savings Account	31,133,970	53,231,749
Sagicor Bank Jamaica Limited - Foreign Currency		
Savings Account	<u>40,157,729</u>	<u>1,841,415</u>
	256,679,585	234,633,949
Bank overdraft (note 27)	<u>(5,058,771)</u>	<u>(995,306)</u>
	<u>251,620,814</u>	<u>233,638,643</u>

Bank overdraft represents unpresented cheques at year end.

23. SHARE CAPITAL:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	<u>₹</u>	<u>₹</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>

INDIES PHARMA JAMAICA LIMITED
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24. **CAPITAL RESERVE:**

	The Group	
	2023	2022
	\$	\$
At 1 November 2022 and 31 October 2023	<u>458,484,190</u>	<u>458,484,190</u>
Representing - Revaluation surplus on land and building		

	The Company	
	2023	2022
	\$	\$
At 1 November 2022 and 31 October 2023	<u>99,307,105</u>	<u>99,307,105</u>
Representing - Revaluation surplus on land and building		

INDIES PHARMA JAMAICA LIMITED
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25. LONG TERM LOAN:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
7% Bond 2025	<u>805,000,000</u>	<u>805,000,000</u>

On 8 September 2020 the company issued a private bond of \$805,000,000. The Bond matures September 2025 and has a fixed rate of 7% per annum with interest payable quarterly.

The Bond is secured by mortgage by way of guarantee over the property owned by Indies Pharma Business Park Limited; Debenture over all floating and fixed assets of the company; Deed of Subordination issued by the company for all inter-company and shareholders' loans and advances, as well as maintenance of a Debt Service Reserve Account funded with a minimum of three (3) months' interest payments payable under the Bond.

26. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	\$	\$	\$	\$
Trade payables	35,643,053	16,311,831	35,643,053	16,311,831
Other payables and accruals	<u>45,273,421</u>	<u>35,079,824</u>	<u>44,410,921</u>	<u>34,274,824</u>
	<u>80,916,474</u>	<u>51,391,655</u>	<u>80,053,974</u>	<u>50,586,655</u>

27. SHORT TERM BORROWINGS:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
National Commercial Bank Jamaica Limited - Bank overdraft	5,058,771	995,306
National Commercial Bank Jamaica Limited - Credit Card Account	3,405,568	3,437,208
Sagicor Bank Jamaica Limited - Credit Card Account	<u>3,523,874</u>	<u>3,432,309</u>
	<u>11,988,213</u>	<u>7,864,823</u>

Bank overdraft represents unpresented cheques at year end.

INDIES PHARMA JAMAICA LIMITED
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28. DIVIDENDS:

	<u>The Group and the Company</u>	
	<u>2023</u>	<u>2022</u>
	\$	\$
Dividends paid at 11¢ (2022 - 11¢) per stock unit	<u>150,976,402</u>	<u>150,576,641</u>

29. STAFF COSTS:

Staff costs for the year amounted to \$177,451,212 (2022 - \$156,551,856), while the number of employees at year-end was seventy-one (71) (2022 - 66).