

LEMS Pharmaceutical Limited
(Registration Number 2014/170940/06)
Annual Financial Statements
for the year ended 28 February 2021

Audited Financial Statements
in compliance with the Companies Act of South Africa

LEMS Pharmaceutical Limited

(Registration Number 2014/170940/06)

Annual Financial Statements for the year ended 28 February 2021

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LEMS Pharmaceutical Limited

(Registration Number 2014/170940/06)

Annual Financial Statements for the year ended 28 February 2021

General Information

Country of Incorporation and Domicile	South Africa
Registration Number	2014/170940/06
Nature of Business and Principal Activities	The company supplies prescription and other medicines to medical practitioners and health centres with onsite dispensaries in rural and non-rural areas of South Africa..
Directors	P Grimes G.P Viljoen
Shareholder	Umuthi Healthcare Solutions Plc
Registered Office	Cnr Rautenbach & Sixth Street Wynberg Sandton Gauteng 2196
Business Address	Cnr Rautenbach & Sixth Street Wynberg Sandton Gauteng 2196
Postal Address	Postnet Suite 136 Private Bag X 19 Menlopark Gauteng 0102
Bankers	First National Bank
SARS Reference Numbers Tax number	9194521192
Auditors	Mrwebi Auditors and Accountants Inc Unit 9 Leogem Business Park 44 Richards Drive Halfway House, Midrand Gauteng 1685
Preparer	Solly Morulane of Newend Professional Services Professional Accountant (SA) 2160 Arsenic Street Clayville Extension 26 Gauteng 1666

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Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the company, and explain the transactions and financial position of the business of the company at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the company and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss. The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources the directors have no reason to believe that the company will not be a going concern in the foreseeable future. The financial statements support the viability of the company.



Director

LEMS Pharmaceutical Limited

(Registration Number 2014/170940/06)

Annual Financial Statements for the year ended 28 February 2021

Directors' Report

The directors present their report for the year ended 28 February 2021.

1. Review of activities

Main business and operations

The company supplies prescription and other medicines to medical practitioners and health centres with onsite dispensaries in rural and non-rural areas of South Africa.. There were no major changes herein during the year.

The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

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

3. Events after reporting date

All events subsequent to the date of the annual financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the company.

4. Dividend

No dividend was declared or paid to the shareholder during the year.

5. Directors

The directors of the company during the year and up to the date of this report are as follows:

P Grimes
G.P Viljoen

6. Shareholder

There have been no changes in ownership during the current financial year.

The shareholder and its interest at the end of the year is:

Umuthi Healthcare Solutions Plc	Holding 100.00%
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7. Independent Auditors

Mrwebi Auditors and Accountants Inc were the independent auditors for the year under review.

Independent Auditor's Report

To the Shareholder of LEMS Pharmaceutical Limited

Opinion

We have audited the financial statements of LEMS Pharmaceutical Limited set out on pages 7 to 22, which comprise the statement of financial position as at 28 February 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of LEMS Pharmaceutical Limited as at 28 February 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "LEMS Pharmaceutical Limited Annual Financial Statements for the year ended 28 February 2021", which includes the Directors' Report, and the statement of Directors' Responsibilities and Approval as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the supplementary information set out on pages 23 to 24. The other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Mrwebi Auditors and Accountants Inc

28 September 2022



**Per: Masixole Mrwebi
Director / Partner
Registered Auditor**

**Unit 9 Leogem Business Park
44 Richards Drive
Halfway House, Midrand
Gauteng
1685**

LEMS Pharmaceutical Limited

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Financial Statements for the year ended 28 February 2021

Statement of Financial Position

Figures in Great British Pound Sterling (GBP)

Notes 2021 2020

Assets

Non-current assets

Property, plant and equipment	4	237,025	357,061
Loan to group company	7	360,020	362,986
Total non-current assets		597,045	720,047

Current assets

Inventories	5	927	9,527
Trade and other receivables	6	8,795	12,008
Cash and cash equivalents		66	-
Total current assets		9,788	21,535

Total assets

606,833 **741,582**

Equity and liabilities

Equity

Share capital	8	41,293	40,620
Share premium	8	690,273	679,025
Capital contribution		1,075,066	1,048,408
Accumulated loss		(1,355,710)	(1,227,270)
Currency translation difference (CTD)		(17,067)	25,110
Total equity		433,855	565,893

Liabilities

Non-current liabilities

Other financial liabilities	11	154,188	151,676
Total non-current liabilities		154,188	151,676

Current liabilities

Trade and other payables	10	18,790	24,013
Total current liabilities		18,790	24,013

Total liabilities

172,978 **175,689**

Total equity and liabilities

606,833 **741,582**

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Statement of Profit or Loss and Other Comprehensive Income

Figures in Great British Pound Sterling (GBP)

	Notes	2021	2020
Revenue	12	9,522	447,831
Cost of sales	13	(5,841)	(433,860)
Gross profit		3,681	13,971
Distribution costs	14	-	(965)
Administrative expenses	15	(17,061)	(9,433)
Other expenses	16	(165,857)	(234,778)
Loss from operating activities	17	(179,237)	(231,205)
Loss for the year		(179,237)	(231,205)

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Statement of Changes in Equity

Figures in £	Issued capital	Share premium	Capital contribution	Foreign currency translation reserve	Accumulated loss	Total
Balance at 1 March 2019	44,027	805,228	1,048,408	9,978	(1,089,709)	817,932
Changes in equity						
Loss for the year	-	-	-	-	(231,205)	(231,205)
Total comprehensive income for the year	-	-	-	-	(231,205)	(231,205)
Currency translation difference (CTD)	(3,407)	(56,957)	-	15,132	93,644	48,412
Balance at 29 February 2020	40,620	679,025	1,048,408	25,110	(1,227,270)	565,893
Balance at 1 March 2020	40,620	679,025	1,048,408	25,110	(1,227,270)	565,893
Changes in equity						
Loss for the year	-	-	-	-	(179,237)	(179,237)
Total comprehensive income for the year	-	-	-	-	(179,237)	(179,237)
Currency translation difference (CTD)	673	11,248	26,658	(42,177)	50,797	47,199
Balance at 28 February 2021	41,293	690,273	1,075,066	(17,067)	(1,355,710)	433,855
Notes	8	8	8			

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Statement of Cash Flows

Figures in Great British Pound Sterling (GBP)

	2021	2020
Cash flows used in operations		
Loss for the year	(179,237)	(231,205)
Adjustments to reconcile loss		
Adjustments for decrease in inventories	8,600	15,218
Adjustments for decrease / (increase) in trade accounts receivable	3,069	(4,935)
Adjustments for decrease in other operating receivables	144	128
Adjustments for increase / (decrease) in trade accounts payable	532	(13,333)
Adjustments for decrease in other operating payables	(5,752)	(7,826)
Adjustments for depreciation and amortisation expense	106,769	129,709
Currency translation difference (CTD)	21,884	(25,110)
Total adjustments to reconcile loss	135,246	93,851
Net cash flows used in operations	(43,991)	(137,354)
Net cash flows used in operating activities	(43,991)	(137,354)
Cash flows from investing activities		
Loan advanced to group company	2,966	-
Cash flows from investing activities	2,966	-
Cash flows from financing activities		
Proceeds from issuing / (buyback of) shares	11,921	(60,364)
Capital contribution introduced	26,658	189,977
Proceeds from other financial liabilities	2,512	7,733
Cash flows from financing activities	41,091	137,346
Net increase / (decrease) in cash and cash equivalents	66	(8)
Cash and cash equivalents at beginning of the year	-	8
Cash and cash equivalents at end of the year	66	-

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Accounting Policies

1. General information

LEMS Pharmaceutical Limited ('the company') supplies prescription and other medicines to medical practitioners and health centres with onsite dispensaries in rural and non-rural areas of South Africa..

The company is incorporated as a Public company and domiciled in South Africa. The address of its registered office is Cnr Rautenbach & Sixth Street, Wynberg, Sandton, Gauteng, 2196.

2. Basis of preparation and summary of significant accounting policies

The financial statements of LEMS Pharmaceutical Limited have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. 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 3.

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

2.1 Foreign currency translation

Functional and presentation currencies

The financial statements have been presented in Great British Pound Sterling (GBP). The functional currency of the company is South African Rand. The presentation currency has been selected because these financial statements are consolidated into the group results of the ultimate holding company listed on the London Stock Exchange, Umuthi Healthcare Solutions Plc.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other (losses)/gains – net'.

2.2 Property, plant and equipment

Recognition

Property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Initial measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

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Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Subsequent measurement - Cost model

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation of an asset commences when it is available for use, and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

Asset class	Measurement base	Useful life / depreciation	
		rate	Depreciation method
Fixtures and fittings		6 years	Straight line
Office equipment		3 years	Straight line
Computer equipment		3 years	Straight line
Computer software		3 years	Straight line

2.3 Financial instruments

Classification and recognition

Classification of a financial instrument, or its component parts takes place on initial recognition. Each instrument is classified as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

Financial assets classification

The company classifies financial assets into the following categories:

- Financial assets subsequently measured at fair value through profit or loss
- Financial assets subsequently measured at fair value through other comprehensive income (OCI)
- Financial assets subsequently measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

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Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

For assets measured at fair value, gains and losses are either recorded in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Financial liabilities classification

The company classifies financial liabilities into the following categories:

- Financial liabilities subsequently measured at amortised cost
- Financial liabilities subsequently measured at fair value through profit or loss

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Recognition

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset.

Initial measurement

Financial assets

When a financial asset is recognised initially, it is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial liabilities

Financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Loan to (from) group company

This can include loans between holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

The loan to group company is classified as a financial asset at amortised cost, and is initially measured at fair value including transaction costs and subsequently measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest rate method, less allowance for expected credit losses. For trade receivables and contract assets, a simplified approach is applied in calculating expected credit losses. Instead of tracking changes in credit risk, a loss allowance is recognised based on lifetime expected credit losses at each reporting date. A provision matrix was established that is based on the company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Trade and other receivables are classified as debt instruments and loan commitments at amortised cost.

Up to 29 February 2020, trade receivables were recognised initially at the transaction price. They were subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables was established when there was objective evidence that the company would not be able to collect all amounts due according to the original terms of the receivables.

Trade and other receivables were classified as loans and receivables up to 29 February 2020.

Other financial assets

Other financial assets are recognised initially at the fair value, including transaction costs except where the asset will subsequently be measured at fair value.

Other financial assets that are equity investments are subsequently measured at fair value through profit or loss. Other investments are subsequently measured at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently carried at amortised cost.

Trade and other payables

Trade payables are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

2.4 Inventories

Recognition

Inventories are recognised as an asset when

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the inventories can be measured reliably.

Measurement

Inventories are measured at the lower of cost and net realisable value using either the first-in-first-out or weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use.

Recognition as an expense

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

2.5 Tax

Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

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Accounting Policies

Basis of preparation and summary of significant accounting policies continued...

Deferred tax assets are the amounts of income taxes recoverable in future periods in respect of:

- deductible temporary differences;
- the carry forward of unused tax losses; and
- the carry forward of unused tax credits.

Tax expense (income)

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

- a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity.
- a business combination other than the acquisition by an investment of a subsidiary that is required to be measured at fair value through profit or loss.

Current tax and deferred tax is recognised outside profit or loss if the tax relates to items that are recognised, in the same or a different period, outside profit or loss. Therefore, current tax and deferred tax that relates to items that are recognised, in the same or a different period:

- in other comprehensive income, will be recognised in other comprehensive income;
- directly in equity, will be recognised directly in equity.

2.6 Leases as lessee

Recognition

At inception, a right-of-use asset and a lease liability is recognised. Right-of-use assets are included in the statement of financial performance within a classification relevant to the underlying asset, and not as a separate line item.

2.7 Revenue from contracts with customers

Revenue is income arising in the course of an entity's ordinary activities.

The company is in the business of supplying prescription and other medicines to medical practitioners and health centres with onsite dispensaries in rural and non-rural areas of South Africa.

2.8 Related parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Refer to IAS 24: Related Party Disclosures for a comprehensive list of entities defined as related parties.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

3. Critical accounting estimates and judgements

Estimates and judgements 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.

3.1 Critical accounting estimates and assumptions

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

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Accounting Policies

Critical accounting estimates and judgements continued...

3.1.1 Going concern

The going concern assumption is evaluated based on information available up to the date on which the Annual Financial Statements are approved for issuance by the Board. While there is widespread uncertainty regarding the extent of the financial impact of the COVID-19 global pandemic on the economies of the geographies in which the Group operates, primarily being South Africa, the going concern assumption was considered to be appropriate for the preparation of the company's AFS for the year under review.

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Notes to the Financial Statements

Figures in Great British Pound Sterling (GBP)

2021

2020

4. Property, plant and equipment

Balances at year end and movements for the year

	Fixtures and fittings	Office equipment	Computer equipment	Computer software	Total
Reconciliation for the year ended 28 February 2021					
Balance at 1 March 2020					
At cost	584,974	1,124	7,240	3,175	596,513
Accumulated depreciation	(227,913)	(1,124)	(7,240)	(3,175)	(239,452)
Net book value	357,061	-	-	-	357,061
Movements for the year ended 28 February 2021					
Depreciation	(106,769)	-	-	-	(106,769)
Foreign currency revaluation increase (decrease)	(13,267)	-	-	-	(13,267)
Property, plant and equipment at the end of the year	237,025	-	-	-	237,025
Closing balance at 28 February 2021					
At cost	568,567	-	-	-	568,567
Accumulated depreciation	(331,542)	-	-	-	(331,542)
Net book value	237,025	-	-	-	237,025
Reconciliation for the year ended 29 February 2020					
Balance at 1 March 2019					
At cost	634,042	75	480	211	634,808
Accumulated depreciation	(116,751)	(75)	(480)	(211)	(117,517)
Net book value	517,291	-	-	-	517,291
Movements for the year ended 29 February 2020					
Depreciation	(129,644)	(65)	-	-	(129,709)
Foreign currency revaluation increase (decrease)	(30,586)	65	-	-	(30,521)
Property, plant and equipment at the end of the year	357,061	-	-	-	357,061
Closing balance at 29 February 2020					
At cost	584,974	1,124	7,240	3,175	596,513
Accumulated depreciation	(227,913)	(1,124)	(7,240)	(3,175)	(239,452)
Net book value	357,061	-	-	-	357,061

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Financial Statements for the year ended 28 February 2021

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Figures in Great British Pound Sterling (GBP)

2021

2020

5. Inventories

Inventories comprise:

Finished goods	927	9,527
	<u>927</u>	<u>9,527</u>

6. Trade and other receivables

Trade and other receivables comprise:

Trade receivables	3,810	6,879
Deposits	4,985	5,129
	<u>8,795</u>	<u>12,008</u>
Total trade and other receivables	<u>8,795</u>	<u>12,008</u>

Categorisation of trade and other receivables

All trade and other receivables are categorised as financial instruments at amortised cost in accordance with IFRS 9: Financial Instruments.

Exposure to credit risk

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

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

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

Refer to note 4 Financial instruments and financial risk management for details of credit risk exposure and management.

7. Loan to group company

Loan to group company comprises the following balances

Lems Pharmaceuticals Ltd	360,020	348,843
	<u>360,020</u>	<u>362,986</u>

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8. Share capital

Authorised and issued share capital

Authorised

Issued

Ordinary no par value shares

41,293 40,620

41,293 40,620

Share premium

690,273 679,025

731,566 719,645

Share reconciliation

Shares outstanding - beginning of the period

90,000,000 90,000,000

Shares outstanding - closing

90,000,000 90,000,000

9. Reserves

Classification of reserves

Total non distributable reserves

(17,067) 25,110

10. Trade and other payables

Trade and other payables comprise:

Trade creditors

18,790 18,261

Value added tax

- 5,752

Total trade and other payables

18,790 24,013

11. Other financial liabilities

Other financial liabilities comprise:

Loan: Chinyanta JN

154,188 151,676

154,188 151,676

The above loan is unsecured, bears no interest and has no fixed terms of repayment.

12. Revenue

Revenue comprises:

Sale of goods

9,522 447,831

Total revenue

9,522 447,831

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Figures in Great British Pound Sterling (GBP)

2021

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13. Cost of sales

Cost of sales comprise:

Sale of goods	5,841	433,860
Total cost of sales	5,841	433,860

14. Distribution costs

Distribution costs comprise:

Delivery expenses	-	965
Total distribution costs	-	965

15. Administrative expenses

Administrative expenses comprise:

Accounting fees	8,841	656
Bank charges	(64)	446
Computer expenses	8,284	7,491
Subscriptions	-	644
Telecommunication	-	196
Total administrative expenses	17,061	9,433

16. Other expenses

Other expenses comprise:

Cleaning	-	264
Depreciation	106,769	129,709
Donations	-	4,148
Electricity and water	-	5,608
Employee benefit expenses	45,230	53,229
General expenses	-	8
Insurance	-	319
Office Expenses	-	156
Operating leases	13,858	41,321
Printing and stationery	-	16
Total other expenses	165,857	234,778

17. Loss from operating activities

Loss from operating activities includes the following separately disclosable items

Other operating expenses

Property plant and equipment - depreciation	106,769	129,709
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Financial Statements for the year ended 28 February 2021

Notes to the Financial Statements

Figures in Great British Pound Sterling (GBP)

2021

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18. Related parties

18.1 Group companies

Parent company	Umuthi Healthcare Solutions PLC
Ultimate parent	Umuthi Healthcare Solutions PLC

18.2 Other related parties

Entity name	Nature of relationship
G.P. Viljoen	Majority shareholder and member of key management
P.J. Grimes	Member of key management

18.3 Related party transactions and balances

	Key management personnel of the entity or its parent	Total
Year ended 28 February 2021		
Related party transactions		
Capital contribution	1,075,066	1,075,066
Year ended 29 February 2020		
Related party transactions		
Transfers of research and development to entity	1,048,408	1,048,408
Outstanding loan accounts		
Amounts payable	151,676	151,676

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Financial Statements for the year ended 28 February 2021

Notes to the Financial Statements

Figures in Great British Pound Sterling (GBP)

2021

2020

19. Fair value

Information Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Transfers of assets and liabilities within levels of the fair value hierarchy

There have been no transfers between fair value levels during any of the periods within this Financial Information.

Valuation processes applied by the Company

The Company measures financial instruments such as derivatives, and non-financial assets at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in the accounting policies under note 1 as well as in the following notes:

Trade and other payables - Note 12

Other financial liabilities - Note 13

20. Forex gain and losses

Foreign currency monetary items shall be translated using the closing rate; non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined. Monetary items include trade payables and trade receivables as well as cash

Non-monetary items include Inventory, plant and equipment, Share capital and share premium.

Movement recognised in OCI

Exchange differences on translating foreign operations	(17,067)	25,110
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Annual Financial Statements for the year ended 28 February 2021

Detailed Income Statement

Figures in £

	Notes	2021	2020
Revenue	12		
Sale of goods		<u>9,522</u>	<u>447,831</u>
Cost of sales	13		
Sale of goods		<u>(5,841)</u>	<u>(433,860)</u>
Gross profit		<u>3,681</u>	<u>13,971</u>
Distribution costs	14		
Delivery expenses		<u>-</u>	<u>(965)</u>
Administrative expenses	15		
Accounting fees		(8,841)	(656)
Bank charges		64	(446)
Computer expenses		(8,284)	(7,491)
Subscriptions		-	(644)
Telecommunication		<u>-</u>	<u>(196)</u>
		<u>(17,061)</u>	<u>(9,433)</u>
Other expenses	16		
Cleaning		-	(264)
Depreciation - property, plant and equipment		(106,769)	(129,709)
Donations		-	(4,148)
Electricity and water		-	(5,608)
Employee costs - directors		-	(34,894)
Employee costs - salaries		(45,230)	(18,335)
General expenses		-	(8)
Insurance		-	(319)
Office Expenses		-	(156)
Operating leases		(13,858)	(41,321)
Printing and stationery		<u>-</u>	<u>(16)</u>
		<u>(165,857)</u>	<u>(234,778)</u>
Loss from operating activities	17	<u>(179,237)</u>	<u>(231,205)</u>
Loss for the year		<u>(179,237)</u>	<u>(231,205)</u>

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Annual Financial Statements for the year ended 28 February 2021

Income Tax Computation

Figures in Great British Pound Sterling (GBP)

	2021	2020
Loss before tax	(179,237)	(231,205)
Computed income for the year	(179,237)	(231,205)
Assessed loss brought forward	(885,346)	(654,141)
Taxable income	(1,064,583)	(885,346)
Normal tax	-	-