

**Pharmacor Limited**  
**Annual Report and Financial Statements**  
**for the year ended March 31, 2021**

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## General Information

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Country of incorporation and domicile	Kenya
Date of incorporation	May 15, 2012
Directors	Mr. Nikhilesh Srivastava Mr. BP Singh
Registered office	Office Suites Building Parklands P.O. Box 1499-00800 Nairobi
Principal banker	Citibank N.A. Kenya Upper Hill Road P.O. Box 30711-00100 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Company secretary	Dolphins Training and Consultants 10th Floor, View Park Towers Utalii Lane P.O. Box 2211382-00100 Nairobi
Company registration number	CPR/2012/74060
Tax reference number	P051389037L
Ultimate holding company	Alkem Laboratories Limited incorporated in India

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Contents

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	Page
Directors' Report	3 - 4
Statement of Directors' Responsibilities	5
Independent Auditor's Report	6 - 7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Significant Accounting Policies	12 - 20
Notes to the Annual Report And Financial Statements	21 - 37

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Directors' Report

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The directors submit their report together with the audited annual report and financial statements for the year ended March 31, 2021.

### 1. Principal activities

The principal activities of the company are distribution of pharmaceutical products within the region. The company operates principally in Kenya.

There have been no material changes to the nature of the company's business from the prior year.

### 2. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The accounting policies have been applied consistently compared to the prior year

The company recorded a net profit after tax for the year ended March 31, 2021 of Ksh 36,125,017. This represented an decrease of 3.63% from the net profit after tax of the prior year of Ksh 37,484,346.

Company revenue decreased by 3.76 % from Ksh 195,226,980 in the prior year to Ksh 187,890,007 for the year ended March 31, 2021.

Company cash flows from operating activities decreased by 31.62% from Ksh 25,528,493 in the prior year to Ksh 48,360,759 for the year ended March 31, 2021.

The movement for the above financial results for the year ended March 31, 2021 have been attributed due to the following:

#### Economic factors

The COVID-19 pandemic led to shut down of hospitals and restriction of movement of the sales team. These factors caused the sales of the company to be affected in the current year. The fluctuation of exchange rates had also an impact on the company performance due to loan repayment and payments to foreign creditors.

#### Company performance

Delayed supply of products from the import supplier resulted in the company in having product stock out's, hence affecting the company's sales performance. The company however, was able to clear out all outstanding loans within two years despite delay in collections from debtors also.

#### Principal risks specific to the company

Below are some of the risks that the company was exposed to;

- Raw material risk; Due to the COVID-19 pandemic there was a slow down in production which led to shortages in pharmaceutical products in the market.
- Operational risk; As result of lockdown restrictions imposed in order to curb the spread of the coronavirus, employees were limited in their movements and there imposing an operational risk towards the company.

### 3. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

### 4. Dividends

The directors do not recommend the declaration of a dividend for the year ended March 31, 2021. (2020: Nil).

### 5. Events after the reporting period

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

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Directors' Report

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### 6. Statement of disclosure to the company's auditors

With respect to each person who is a director on the day that this report is approved:

- there is, so far as the person is aware, no relevant audit information of which the company's auditors are unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### 7. Terms of appointment of the auditors

Grant Thornton continues in office in accordance with the company's Articles of Association and Section 719 of the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditors. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

### 8. Approval of annual report and financial statements

The annual report and financial statements set out on pages 8 to 37, which have been prepared on the going concern basis, were approved by the board of directors on May 5, 2021, and were signed on its behalf by:



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**Nikhilesh Srivastava**  
(Director)

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Statement of Directors' Responsibilities

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The Kenyan Companies Act, 2015 requires the directors to prepare annual report and financial statements for each financial year that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors accept responsibility for the preparation and presentation of these annual report and financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- designing, implementing and maintaining such internal controls as they determine necessary to enable the presentation of annual report and financial statements that are free of material misstatement, whether due to fraud or error;
- selecting suitable accounting policies and applying them consistently; and
- making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the annual report and financial statements does not relieve them of their responsibilities.

The annual report and financial statements set out on pages 8 to 37, which have been prepared on the going concern basis, were approved by the director on May 5, 2021 and were signed on his behalf by:



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**Mr Nikhilesh Srivastava**  
(Director)

## Independent Auditor's Report

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To the Shareholder of Pharmacor Limited

### Report on the Audit of the Annual Report And Financial Statements

#### Opinion

We have audited the annual report and financial statements of Pharmacor Limited set out on pages 8 to 37, which comprise the statement of financial position as at March 31, 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual report and financial statements, including a summary of significant accounting policies.

In our opinion, the annual report and financial statements present fairly, in all material respects, the financial position of Pharmacor Limited as at March 31, 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 Kenyan Companies Act, 2015.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report And Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of annual report and financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Responsibilities of the Directors and Those Charged with Governance for the Annual Report And Financial Statements

The directors are responsible for the preparation and fair presentation of the annual report and financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of annual report and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual report and 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.

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

#### Auditor's Responsibilities for the Audit of the Annual Report And Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual report and 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 International Standards on Auditing 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 annual report and financial statements.

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

- Identify and assess the risks of material misstatement of the annual report and 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.

## Independent Auditor's Report

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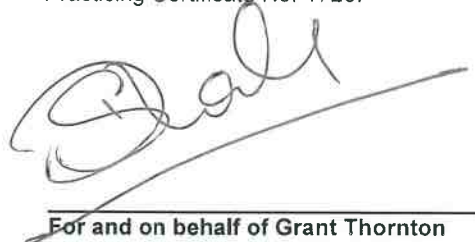
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report and 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.

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

### Report on Other Legal and Regulatory Requirements

In our opinion the information given in the report of the directors on page 3 - 4 is consistent with the annual report and financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Dipesh Shah, Practicing Certificate No. 1729.

 Grant Thornton  
Certified Public Accountants

For and on behalf of Grant Thornton  
Certified Public Accountants (Kenya)  
Nairobi

05 MAY 2021

P/141/0321/102/0521/AUD



## Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

### Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings	Note(s)	2021	2020
Revenue	3	187,890,007	195,226,980
Cost of sales	4	(51,889,993)	(84,018,730)
<b>Gross profit</b>		<b>136,000,014</b>	<b>111,208,250</b>
Other operating income	5	152,136	152,136
Movement in credit loss allowances		4,941,574	(8,499,833)
Selling and distribution expenses	6	(15,466,905)	(4,855,257)
Operating expenses	7	(67,028,072)	(39,803,663)
<b>Operating profit (loss)</b>		<b>58,598,747</b>	<b>58,201,633</b>
Finance costs	9	(8,072,375)	(5,609,125)
<b>Profit (loss) before taxation</b>		<b>50,526,372</b>	<b>52,592,508</b>
Taxation	10	(14,401,355)	(15,108,162)
<b>Profit (loss) for the year</b>		<b>36,125,017</b>	<b>37,484,346</b>
Other comprehensive income		-	-
<b>Total comprehensive income (loss) for the year</b>		<b>36,125,017</b>	<b>37,484,346</b>

The accounting policies on pages 12 to 20 and the notes on pages 21 to 37 form an integral part of the annual report and financial statements.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Statement of Financial Position as at March 31, 2021

Figures in Shillings	Note(s)	2021	2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	424,932	602,662
Right-of-use assets	13	5,612,464	7,483,288
Intangible assets	14	30,282	37,852
Deferred tax	15	1,746,960	3,787,551
		<b>7,814,638</b>	<b>11,911,353</b>
<b>Current Assets</b>			
Inventories	16	30,971,114	35,760,925
Trade and other receivables	17	78,784,770	89,023,687
Cash and cash equivalents	18	27,590,419	50,481,687
		<b>137,346,303</b>	<b>175,266,299</b>
<b>Total Assets</b>		<b>145,160,941</b>	<b>187,177,652</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	19	100,000	100,000
Retained income		70,106,242	33,981,225
		<b>70,206,242</b>	<b>34,081,225</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	20	-	35,060,456
Lease liability	13	4,303,941	6,081,891
		<b>4,303,941</b>	<b>41,142,347</b>
<b>Current Liabilities</b>			
Trade and other payables	21	65,626,379	91,299,086
Lease liability	13	1,768,615	1,759,281
Current tax payable	11	3,255,764	18,895,713
		<b>70,650,758</b>	<b>111,954,080</b>
<b>Total Liabilities</b>		<b>74,954,699</b>	<b>153,096,427</b>
<b>Total Equity and Liabilities</b>		<b>145,160,941</b>	<b>187,177,652</b>

The annual report and financial statements and the notes on pages 8 to 37, were approved by the director on May 5, 2021 and were signed on its behalf by:



**Mr. Nikhilesh Srivastava**  
(Director)

The accounting policies on pages 12 to 20 and the notes on pages 21 to 37 form an integral part of the annual report and financial statements.

## Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

### Statement of Changes in Equity

Figures in Shillings	Share capital	Retained income	Total equity
Balance at April 1, 2019	100,000	(3,503,121)	(3,403,121)
Profit for the year	-	37,484,346	37,484,346
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>37,484,346</b>	<b>37,484,346</b>
Balance at April 1, 2020	100,000	33,981,225	34,081,225
Profit for the year	-	36,125,017	36,125,017
Other comprehensive income	-	-	-
<b>Total comprehensive income for the year</b>	-	<b>36,125,017</b>	<b>36,125,017</b>
<b>Balance at March 31, 2021</b>	<b>100,000</b>	<b>70,106,242</b>	<b>70,206,242</b>
Note(s)	19		

The accounting policies on pages 12 to 20 and the notes on pages 21 to 37 form an integral part of the annual report and financial statements.

## Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

### Statement of Cash Flows

Figures in Shillings	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	50,010,892	27,528,493
Finance costs	9	(5,094,648)	(2,791,118)
Tax paid	11	(28,000,713)	-
<b>Net cash from operating activities</b>		<b>16,915,531</b>	<b>24,737,375</b>
<b>Cash flows (used in) investing activities</b>			
Purchase of property, plant and equipment	12	-	(709,242)
Purchase of intangible assets	14	-	(46,350)
<b>Net cash (used in) investing activities</b>		<b>-</b>	<b>(755,592)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	20	-	23,627,783
Repayment of borrowings	20	(35,060,456)	(56,238)
Payment on lease liabilities	13	(1,768,616)	(1,512,940)
Finance costs	9	(2,977,727)	(2,818,007)
<b>Net cash from financing activities</b>		<b>(39,806,799)</b>	<b>19,240,598</b>
<b>Total cash and cash equivalents movement for the year</b>		<b>(22,891,268)</b>	<b>43,222,381</b>
Cash and cash equivalents at the beginning of the year	18	50,481,687	7,259,306
<b>Total cash and cash equivalents at end of the year</b>	18	<b>27,590,419</b>	<b>50,481,687</b>

The accounting policies on pages 12 to 20 and the notes on pages 21 to 37 form an integral part of the annual report and financial statements.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1. Significant accounting policies

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

#### 1.1 Basis of preparation

The annual report and financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual report and financial statements and the Kenyan Companies Act, 2015.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented in these annual report and financial statements by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and Other Comprehensive Income.

The annual report and financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Kenya Shillings, which is the company's functional currency and rounded off to the nearest Shilling.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual report and financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

#### Expected manner of realisation for deferred tax

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

#### Key sources of estimation uncertainty

#### Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales.

#### Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

#### Useful lives of equipment

Management assess the appropriateness of the useful lives of equipment at the end of each reporting period. The useful lives equipment are determined based on company replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Rate per annum (%)
Office equipment	Straight line	12.5

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The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

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

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

### 1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Rate per annum ( % )
Computer software	Straight line	20

### 1.5 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company ,as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);

Financial liabilities:

- Amortised cost;

Note 24 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

#### Trade and other receivables

##### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 17).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

##### Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.



# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.5 Financial Instruments (continued)

#### Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

#### Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 17.

#### Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### Credit risk

Details of credit risk are included in the trade and other receivables note (note 17) and the financial instruments and risk management note (note 24).

#### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

#### Borrowings

##### Classification

Borrowings (note 20) are classified as financial liabilities subsequently measured at amortised cost.

##### Recognition and measurement

Borrowings are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 9.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 24 for details of risk exposure and management thereof.

##### Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.



# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.5 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

#### Derecognition

##### Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

##### Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### Reclassification

##### Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

##### Financial liabilities

Financial liabilities are not reclassified.

### 1.6 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.6 Tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

#### Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

### 1.7 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

#### Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 7) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 13 Leases (company as lessee).

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

### 1.7 Leases (continued)

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 9).

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### Right-of-use assets

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are presented in the following table:

Item	Depreciation method	Average useful life
Buildings	Straight line	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

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

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.8 Inventories

Inventories are measured at the lower of cost and net realisable value on the moving weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

### 1.9 Share capital and equity

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

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

### 1.10 Employee benefits

#### Short-term employee benefits

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

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

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

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

The company and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year they fall due.

### 1.11 Provisions and contingencies

Provisions are recognised when:

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

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

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

Provisions are not recognised for future operating losses.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Significant Accounting Policies

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### 1.11 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

### 1.12 Revenue from contracts with customers

The company recognises revenue from distribution of pharmaceutical products.

Revenue is recognised to the extent that the company has transferred the significant risks and rewards of ownership of goods to the buyer under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, excluding VAT and discounts.

#### Distribution of pharmaceutical products

For sales of pharmaceutical products to the customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the company when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

### 1.13 Other income

Rental income from operating leases is recognised on a straight line basis over the period of the lease.

### 1.14 Translation of foreign currencies

#### Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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



# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

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### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

##### Definition of a business - Amendments to IFRS 3

The amendment:

- confirmed that a business must include inputs and a processes, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The effective date of the amendment is for years beginning on or after January 1, 2020.

The company has adopted the amendment for the first time in the 2021 annual report and financial statements.

The impact of the amendment is not material.

##### Presentation of Financial Statements: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after January 1, 2020.

The company has adopted the amendment for the first time in the 2021 annual report and financial statements.

The impact of the amendment is not material.

##### Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative

The amendment clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The effective date of the amendment is for years beginning on or after January 1, 2020.

The company has adopted the amendment for the first time in the 2021 annual report and financial statements.

The impact of the amendment is not material.

#### 2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after April 1, 2021 or later periods:

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

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

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

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

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### 2. New Standards and Interpretations (continued)

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

The effective date of the amendment is for years beginning on or after January 1, 2023.

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

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

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

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

The effective date of the company is for years beginning on or after January 1, 2022.

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

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

### Reference to the Conceptual Framework: Amendments to IFRS 3

The amendment makes reference to the Conceptual Framework for Financial Reporting issued in 2018 rather than to the IASC's Framework for the Preparation and Presentation of Financial Statements. The amendment specifically points to the treatment of liabilities and contingent liabilities acquired as part of a business combination, and which are in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies. It clarifies that the requirements of IAS 37 or IFRIC 21 should be applied to provisions, contingent liabilities or levies to determine if a present obligation exists at the Acquisition date. The amendment further clarifies that contingent assets of acquirees share not be recognised as part of the business combination.

The effective date of the company is for years beginning on or after January 1, 2022.

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

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

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

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

The effective date of the company is for years beginning on or after January 1, 2022.

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

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

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

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

The effective date of the company is for years beginning on or after January 1, 2022.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

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### 2. New Standards and Interpretations (continued)

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

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

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

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

The effective date of the company is for years beginning on or after January 1, 2022.

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

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

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

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

The effective date of the company is for years beginning on or after January 1, 2021.

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

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

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

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

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

The effective date of the amendment is for years beginning on or after June 1, 2020.

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

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



# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
<b>3. Revenue</b>		
Revenue from contracts with customers		
Sale of goods	187,890,007	195,226,980
<b>Disaggregation of revenue from contracts with customers</b>		
The company disaggregates revenue from customers as follows:		
<b>Sale of goods</b>		
Pharmaceutical products	187,890,007	195,226,980
<b>Timing of revenue recognition</b>		
<b>At a point in time</b>		
Sale of goods	187,890,007	195,226,980
<b>4. Cost of sales</b>		
Sale of goods	51,889,993	84,018,730
<b>5. Other operating income</b>		
Rental income	152,136	152,136
<b>6. Selling and distribution expenses</b>		
The following items are included within selling and distribution expenses:		
Sales and marketing expense	15,466,905	4,855,257
<b>7. Operating expenses</b>		
The following items are included within operating expenses:		
Staff costs (Note 8)	33,035,515	15,644,112
Directors remuneration (Note 9)	20,764,545	14,742,404
Auditors remuneration - external auditors	646,109	727,686
Consulting and professional fees	2,964,400	2,966,198
Fines and penalties	22,092	45,020
Printing and stationery	130,218	900
Repairs and maintenance	-	2,000
Secretarial fees	99,820	20,000
Permits and licences	317,173	137,700
Rent and rates	385,687	17,369
Postage and courier expenses	60,289	9,450
Inventory write-off	-	138,249
Regulatory and compliance expense	2,718,225	3,146,787
Terminal handling charges	761,176	199,787
Administrative expenses	3,066,699	-
Depreciation and amortisation	2,056,124	2,006,001
	<b>67,028,072</b>	<b>39,803,663</b>

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
<b>8. Staff costs</b>		
<b>Employee costs</b>		
Salaries and wages	53,351,284	30,147,666
Staff medical	219,576	-
NSSF company contribution	79,200	38,800
Work permits	150,000	200,050
	<b>53,800,060</b>	<b>30,386,516</b>
<b>Average number of persons employed during the year</b>		
Management	1	2
Administration	6	3
Medical representatives	26	31
Other support staff	2	-
	<b>35</b>	<b>36</b>
<b>9. Finance costs</b>		
Net foreign exchange losses on foreign currency	4,823,636	2,636,852
Interest on lease liability	461,136	561,248
Interest expense	2,516,591	2,256,759
Bank charges	271,012	154,266
<b>Total finance costs</b>	<b>8,072,375</b>	<b>5,609,125</b>
<b>10. Taxation</b>		
<b>Major components of the tax expense</b>		
<b>Current</b>		
Local income tax - current period	12,360,764	18,895,713
<b>Deferred</b>		
Local deferred tax- current year	2,040,591	(3,787,551)
	<b>14,401,355</b>	<b>15,108,162</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between accounting profit and tax expense:		
Accounting (loss) profit	50,526,372	52,592,508
Tax at the applicable tax rate of 30% and 25% ;(2020,30%)	13,263,173	15,777,752
<b>Tax effect of adjustments on taxable income</b>		
Expenses not deductible for tax purposes	1,000,443	784,602
Income not subject to tax	-	(622,256)
Deferred tax effect	137,739	(850,953)
Underprovision of prior year tax	-	19,017
	<b>14,401,355</b>	<b>15,108,162</b>

The current year's tax charge was calculated at 25 % for the first 9 months and at 30% for the remaining 3 months ended 31 March 2021.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
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### 11. Tax payable

Balance at beginning of the year	(18,895,713)	-
Current tax for the year recognised in profit or loss	(12,360,764)	(18,895,713)
Balance at end of the year	3,255,764	18,895,713
	<u>(28,000,713)</u>	<u>-</u>

### 12. Property, plant and equipment

	2021			2020		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Office equipment	729,932	(305,000)	424,932	729,932	(127,270)	602,662

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Depreciation	Total
Office equipment	602,662	(177,730)	424,932

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Office equipment	20,100	709,242	(126,680)	602,662

### 13. Leases (company as lessee)

The company leases its office building from Forestview Limited. The average lease term is 5 years (2020: 5 years).

Details pertaining to leasing arrangements, where the company is lessee are presented below:

#### Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are included in the following line items:

Buildings	5,612,464	7,483,288
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#### Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss (note 7), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	1,870,824	1,870,824
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#### Other disclosures

Interest expense on lease liabilities	461,136	561,248
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# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
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### 13. Leases (company as lessee) (continued)

#### Lease liability

The maturity analysis of lease liabilities is as follows:

Within one year	1,768,615	1,759,281
Two to five years	4,765,077	6,643,139
	<u>6,533,692</u>	<u>8,402,420</u>
Less finance charges component	(461,136)	(561,241)
	<u>6,072,556</u>	<u>7,841,179</u>
Non-current liabilities	4,303,941	6,081,891
Current liabilities	1,768,615	1,759,281
	<u>6,072,556</u>	<u>7,841,172</u>

### 14. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	46,350	(16,068)	30,282	46,350	(8,498)	37,852

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software	37,852	(7,570)	30,282

#### Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	-	46,350	(8,498)	37,852

### 15. Deferred tax

Deferred tax asset	1,746,960	3,787,551
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#### Reconciliation of deferred tax asset

At beginning of year	3,787,551	-
Accelerated capital allowance	135,690	(26,811)
Unused tax losses	-	(814,912)
Provisions	(1,482,472)	2,549,950
Exchange differences	(724,471)	1,121,005
Right-of-use asset	561,247	(2,244,986)
Lease liability	(530,585)	2,352,352
Loss brought forward	-	850,953
	<u>1,746,960</u>	<u>3,787,551</u>

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
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### 15. Deferred tax (continued)

#### Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

### 16. Inventories

Pharmaceutical products	30,971,114	35,760,925
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### 17. Trade and other receivables

#### Financial instruments:

Trade receivables	79,458,572	94,679,833
Trade receivables - related parties (Note 22)	-	15,202
Loss allowance	(3,558,259)	(8,499,833)
Trade receivables at amortised cost	75,900,313	86,195,202
Deposits	576,300	576,300
Prepaid work permits	250,000	-
Other receivables	2,058,157	1,519,999

#### Non-financial instruments:

VAT	-	732,186
<b>Total trade and other receivables</b>	<b>78,784,770</b>	<b>89,023,687</b>

#### Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	78,784,770	88,291,501
Non-financial instruments	-	732,186
	<b>78,784,770</b>	<b>89,023,687</b>

#### 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.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

The average credit period on trade receivables is 90 days ). No interest is charged on outstanding trade receivables.

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.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
----------------------	------	------

### 17. Trade and other receivables (continued)

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2021	2021	2020	2020
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
<b>Expected credit loss rate:</b>				
Not past due: 9%	55,023,182	2,445,857	63,414,769	5,638,743
Less than 30 days past due: 9	17,897,526	791,207	21,481,494	1,900,558
31 - 60 days past due: 10%	6,543,899	321,195	9,746,328	957,973
61 - 90 days past due: 6%	(6,035)	-	46,341	2,559
91 - 120 days past due: 0%	-	-	6,104	-
<b>Total</b>	<b>79,458,572</b>	<b>3,558,259</b>	<b>94,695,036</b>	<b>8,499,833</b>

### Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

<b>Opening balance in accordance with IFRS 9</b>	<b>8,499,833</b>	<b>-</b>
Provision reversed on new trade receivables	(4,941,574)	8,499,833
<b>Closing balance</b>	<b>3,558,259</b>	<b>8,499,833</b>

### Exposure to currency risk

Refer to note 24 for details of currency risk management for trade receivables.

### Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

### 18. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	40,191
Bank balances	27,590,419	50,441,496
	<b>27,590,419</b>	<b>50,481,687</b>

### Exposure to currency risk

Refer to note 24 Financial instruments and financial risk management for details of currency risk management for cash and cash equivalents.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
----------------------	------	------

### 19. Share capital

#### Authorised

1,000 Ordinary shares of Ksh 100 each	100,000	100,000
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#### Issued

1,000 Ordinary shares of Ksh 100 each	100,000	100,000
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All issued shares are fully paid.

### 20. Borrowings

#### Held at amortised cost

##### Secured

Loan from related parties (Note 22)	-	35,060,456
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#### Split between non-current and current portions

Non-current liabilities	-	35,060,456
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#### Ascend Laboratories (UK) Limited loan

The loan from Ascend Laboratories (UK) Limited of USD 110,000 was taken on September 30, 2018 for a period of 5 years at an interest of 6% per annum. The loan together with the accrued interest has been settled in the current year, in September.

#### Alkem laboratories Limited loan

The loan from Alkem Laboratories Limited of USD 200,000 was taken on May 20, 2019 for a period of 5 years at an interest of 9% per annum. The loan was acquired to meet the working capital requirements. The loan has been fully repaid as at the current year.

Refer to note 25 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and note 24 Financial instruments and financial risk management for the fair value of borrowings.

#### Exposure to liquidity risk

Refer to note 24 Financial instruments and financial risk management for details of liquidity risk exposure and management.

#### Exposure to interest rate risk

Refer to note 24 for details of interest rate risk management for investments in borrowings.

### 21. Trade and other payables

#### Financial instruments:

Trade payables		159,435
Trade payables - related parties (Note 22)	60,395,804	89,057,923
VAT payable	139,138	-
Imprest float	581,788	-
Rent deposits received	38,035	38,035
Other payables	4,471,612	2,043,693
	<b>65,626,379</b>	<b>91,299,086</b>

#### Exposure to currency risk

Refer to note 24 Financial instruments and financial risk management for details of currency risk management for trade payables.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
<b>21. Trade and other payables (continued)</b>		
<b>Exposure to liquidity risk</b>		
Refer to note 24 Financial instruments and financial risk management for details of liquidity risk exposure and management.		
<b>Fair value of trade and other payables</b>		
The fair value of trade and other payables approximates their carrying amounts.		
<b>22. Related parties</b>		
Relationships		
Ultimate holding company	Alkem Laboratories Limited	
Sister company	Ascend Laboratories(UK) Limited	
<b>Related party balances</b>		
<b>Loan from related parties</b>		
Alkem Laboratories Limited	-	22,521,998
Ascend Laboratories (UK) Limited	-	12,538,458
	<u>-</u>	<u>35,060,456</u>
<b>Trade payables - related parties</b>		
Alkem Laboratories Limited	<u>60,395,800</u>	<u>89,095,955</u>
<b>Security deposit - related parties</b>		
Alkem Laboratories Limited	<u>38,035</u>	<u>15,202</u>
<b>Related party transactions</b>		
<b>Loan interest expense accrued</b>		
Alkem Laboratories Limited	2,030,475	1,583,478
Ascend Laboratories (UK) Limited	486,116	675,399
	<u>2,516,591</u>	<u>2,258,877</u>
<b>Purchases from (sales to) related parties</b>		
Alkem Laboratories Limited India	<u>42,530,871</u>	<u>91,057,393</u>
<b>Loan repaid to related parties</b>		
Alkem Laboratories Limited	22,521,998	-
Ascend Laboratories (UK) Limited	12,538,458	-
<b>Other income</b>		
Alkem Laboratories Limited	<u>152,136</u>	<u>215,526</u>
<b>Compensation to directors and other key management</b>		
Short-term employee benefits	<u>20,764,545</u>	<u>14,742,404</u>

Pharmacor Limited is related to the above companies by virtue of common control and directorship.



# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
<b>23. Cash generated from operations</b>		
(Loss) profit before taxation	50,526,372	52,592,508
<b>Adjustments for:</b>		
Depreciation and amortisation	2,056,124	2,006,001
Finance costs	8,072,375	5,609,125
Net impairments and movements in credit loss allowances	(4,941,574)	8,499,833
<b>Changes in working capital:</b>		
Inventories	4,789,811	(16,259,706)
Trade and other receivables	15,180,491	(96,505,852)
Trade and other payables	(25,672,707)	71,586,584
	<b>50,010,892</b>	<b>27,528,493</b>

## 24. Financial instruments and risk management

### Categories of financial instruments

#### Categories of financial assets

##### 2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	17	79,458,572	79,458,572	79,458,572
Cash and cash equivalents	18	27,590,419	27,590,419	27,590,419
		<b>107,048,991</b>	<b>107,048,991</b>	<b>107,048,991</b>

##### 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	17	88,291,501	88,291,501	88,291,501
Cash and cash equivalents	18	50,481,687	50,481,687	50,481,687
		<b>138,773,188</b>	<b>138,773,188</b>	<b>138,773,188</b>

#### Categories of financial liabilities

##### 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	64,208,924	-	64,208,924	64,208,924
Lease liability	13	-	6,072,556	6,072,556	6,072,556
		<b>64,208,924</b>	<b>6,072,556</b>	<b>70,281,480</b>	<b>70,281,480</b>

##### 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	91,299,087	-	91,299,087	91,299,087
Borrowings	20	35,060,456	-	35,060,456	35,060,456
Lease liability	13	-	7,841,172	7,841,172	7,841,172
		<b>126,359,543</b>	<b>7,841,172</b>	<b>134,200,715</b>	<b>134,200,715</b>

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
----------------------	------	------

### 24. Financial instruments and risk management (continued)

#### Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

#### Financial risk management

##### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk).

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the company's risk management policies. The management reports quarterly to board of directors on its activities.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

##### Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
----------------------	------	------

### 24. Financial instruments and risk management (continued)

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	17	82,343,029	(3,558,259)	78,784,770	96,791,334	(8,499,833)	88,291,501
Cash and cash equivalents	18	27,590,419	-	27,590,419	50,481,687	-	50,481,687
		<b>109,933,448</b>	<b>(3,558,259)</b>	<b>106,375,189</b>	<b>147,273,021</b>	<b>(8,499,833)</b>	<b>138,773,188</b>

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

### Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
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### 24. Financial instruments and risk management (continued)

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

#### 2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
<b>Non-current liabilities</b>					
Lease liability	13	-	4,303,941	4,303,941	4,303,941
<b>Current liabilities</b>					
Trade and other payables	21	65,626,377	-	65,626,377	65,626,377
Lease liability	13	1,768,615	-	1,768,615	1,768,615
		<b>67,394,992</b>	<b>4,303,941</b>	<b>71,698,933</b>	<b>71,698,933</b>

#### 2020

		Less than 1 year	2 to 5 years	Total	Carrying amount
<b>Non-current liabilities</b>					
Borrowings	20	-	35,060,456	35,060,456	35,060,456
Lease liability	13	-	6,081,891	6,081,891	6,081,891
<b>Current liabilities</b>					
Trade and other payables	21	91,299,087	-	91,299,087	91,299,087
Lease liability	13	1,759,281	-	1,759,281	1,759,281
		<b>93,058,368</b>	<b>41,142,347</b>	<b>134,200,715</b>	<b>134,200,715</b>

### Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily are US Dollars.

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the company's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

# Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

## Notes to the Annual Report And Financial Statements

Figures in Shillings	2021	2020
----------------------	------	------

### 24. Financial instruments and risk management (continued)

#### Exposure in Shillings

The net carrying amounts, in Shillings, of the various exposures, are denominated in the following currencies. The amounts have been presented in Shillings by converting the foreign currency amounts at the closing rate at the reporting date of 109.51 per dollar:

#### US Dollar exposure:

<b>Current assets:</b>			
Cash and cash equivalents	18	251,942	151,118
<b>Non-current liabilities:</b>			
Borrowings	20	-	(334,898)
<b>Current liabilities:</b>			
Trade and other payables	21	(571,865)	(850,682)
<b>Net US Dollar exposure</b>		<b>(319,923)</b>	<b>(1,034,462)</b>

#### Exchange rates

<b>Shillings per unit of foreign currency:</b>		
US Dollar	109.511	104.690

#### Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

#### Company

At March 31, 2021, if the Ksh/dollar exchange rate had been 10.000% (2020: 10.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been Ksh 31,992 (2020: Ksh 103,446) higher and Ksh 31,992 (2020: Ksh 103,446) lower.

#### Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

#### Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

#### Company

At March 31, 2021, if the interest rate (LIBOR) had been 2.000% per annum (2020: 2.000%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been Ksh 151,647 (2020: Ksh 111,603) lower and Ksh 151,647 (2020: Ksh 111,603) higher.

## Pharmacor Limited

Annual Report And Financial Statements for the year ended March 31, 2021

### Notes to the Annual Report And Financial Statements

#### 25. Changes in liabilities arising from financing activities

##### Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Foreign exchange movements	Total non-cash movements	Cash flows	Closing balance
Borrowings	35,060,456	(232,671)	(232,671)	(34,827,785)	-
Lease obligations	7,841,172	-	-	(1,768,616)	6,072,556
	<b>42,901,628</b>	<b>(232,671)</b>	<b>(232,671)</b>	<b>(36,596,401)</b>	<b>6,072,556</b>
<b>Total liabilities from financing activities</b>	<b>42,901,628</b>	<b>(232,671)</b>	<b>(232,671)</b>	<b>(36,596,401)</b>	<b>6,072,556</b>

##### Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	New leases	Total non-cash movements	Cash flows	Closing balance
Borrowings	11,488,911	-	-	23,571,545	35,060,456
Lease liability	-	7,841,172	7,841,172	-	7,841,172
	<b>11,488,911</b>	<b>7,841,172</b>	<b>7,841,172</b>	<b>23,571,545</b>	<b>42,901,628</b>
<b>Total liabilities from financing activities</b>	<b>11,488,911</b>	<b>7,841,172</b>	<b>7,841,172</b>	<b>23,571,545</b>	<b>42,901,628</b>

#### 26. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

#### 27. Commitments

There were no commitments during the year ended March 31, 2021.

#### 28. Contingencies

There were no contingencies during the year ended March 31, 2021.

#### 29. Events after the reporting period

The directors are not aware of any material events after the reporting period up to the date of the director's report.