

Financial Statements for the year ended 31 December 2021



These financial statements were prepared by:
Sandiso Ntsomi CA (SA)
Chief Financial Officer

These financial statements have been audited in compliance with the applicable requirements of the Pharmacy Act 53 of 1974.

Issued 18 May 2022

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2021

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Pharmacy industry regulator
Registered Office	591 Belvedere Street Arcadia Pretoria 0083
Business Address	591 Belvedere Street Arcadia Pretoria 0083
Postal Address	Private Bag X40040 Arcadia Pretoria 0007
Bankers	Standard Bank of South Africa Investec Bank Limited
Independent Auditors	MNB Chartered Accountants Incorporation Chartered Accountants (SA) Registered Auditor
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Pharmacy Act 53 of 1974 and IFRS for SMEs.
Preparer	The financial statements were internally compiled by: Sandiso Ntsomi CA (SA) Chief Financial Officer

South African Pharmacy Council

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Councillors' Responsibilities and Approval

The Registrar shall keep true and accurate records of all income and expenditure as required by the Pharmacy Act 53 of 1974 and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the councillors' responsibility to ensure that the financial statements fairly present the state of affairs of the council as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the financial statements.

The councillors 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 councillors to meet these responsibilities, the council 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 council and all employees are required to maintain the highest ethical standards in ensuring the council's business is conducted in a manner that in all reasonable circumstances is above reproach.

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

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

The annual financial statements have been audited by the independent auditing firm, MNB Chartered Accountants Incorporation, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders the board of directors and committees of the board. The councillors believe that all representations made to the independent auditor during the audit were valid and appropriate. The external auditors' unqualified audit report is presented on pages 3 to 4.

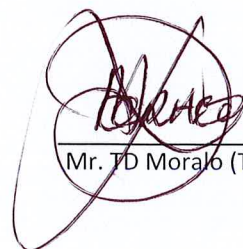
The annual financial statements as set out on pages 7 to 22 were approved by the board on 18 May 2022 and were signed on their behalf by:



Mr. MD Phasha (President)



Mr. VM Tlala (Registrar)



Mr. TD Moralo (Treasurer)

Independent Auditor's Report

To the Council of the South African Pharmacy Council

Opinion

We have audited the annual financial statements of the South African Pharmacy Council set out on pages 7 to 22, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the South African Pharmacy Council as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Pharmacy Act 53 of 1974.

Basis for opinion

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

Other Matter

The financial statements of the South African Pharmacy Council for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 May 2021.

Other information

The councillors are responsible for the other information. The other information comprises of the information included in the document titled "South African Pharmacy Council Annual Financial Statements for the year ended 31 December 2021", which includes Councillors Report and Detailed Income Statement. Other information does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the councillors for the Annual Financial Statements

The councillors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements

of the Pharmacy Act 53 of 1974, and for such internal control as the council determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the councillors are responsible for assessing the organisation'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 councillors either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual 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 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 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 organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the councillors.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation'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 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 organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the councillors 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.

MNB Chartered Accountants Inc.

MNB Chartered Accountants Inc.
Chartered Accountant (SA), Registered Auditor
Engagement Partner: Wisani Shirinda

38 Boerneef Street, Vorna Valley, Midrand, 1864

Date: 08 June 2022

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2021

Councillors' Report

The council members have pleasure in presenting their report for the year ended 31 December 2021.

1. Review of activities

Main business and operations

The principal activity of the company is pharmacy industry regulator and there were no major changes herein during the year.

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

2. Going concern

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

The councillors have given due consideration to the potential impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The councillors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges the councillors are of the view that the council has sufficient resources to continue as a going concern.

3. Events after reporting date

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

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

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2021

Councillors' Report

4. Councillors

The Council consists of only non-executives and south african citizens. The councillors of the in office during the year and to the date of this report are as follows:

Councillors

Mr Mogologolo David Phasha
Ms Boitumelo Nelly Molongoana
Mr Tshegofatso Daniel Moralo
Ms Kahdija Jamaloodien
Prof Yahya Essop Choonara
Ms Mmapaseka Steve Letsike
Mr Johannes Stephanus du Toit
Dr Margaritha Johanna Eksteen
Ms Jacqueline Ann Maimin
Mr Ayanda Soka
Dr Moliehi Matlala
Ms Helen Catherine Hayes
Dr (Adv) Nazreen Shaik-Peremanov
Ms Josephine Herbert
Ms Pakama Dlwati
Prof Sarel Francois Malan
Mr Pieter Johannes Kilian
Ms Moitsoadi Sarah Mokgatha
Prof Natalie Schellack
Ms Tlou Mavis Shivambu
Mr Mosiuoa Shadrack Shuping
Prof Ilse Truter
Ms Christina Aletta Venter
Dr Petrus de Wet Wolmarans

Office

President
Vice-President
Treasurer
Representative from DoH
Education Committee Chairperson
Health Committee Chairperson
CPI Chairperson
CII Chairperson
Practise Committee Chairperson
CPD Committee Chairperson
Pre-Registrations Committee Chairperson

5. Independent Auditors

MNB Chartered Accountants Incorporation were the independent auditors for the year under review.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Statement of Financial Position

	Note(s)	2021	2020
Assets			
Non-Current Assets			
Property, plant and equipment	2	22,225,880	23,851,013
Investment property	3	5,000,000	5,000,000
Intangible assets	4	886,295	904,782
		28,112,175	29,755,795
Current Assets			
Trade and other receivables	5	19,637,146	18,101,981
Cash and cash equivalents	6	61,348,612	47,467,408
		80,985,758	65,569,389
Total Assets		109,097,933	95,325,184
Equity and Liabilities			
Equity			
Retained earnings		64,124,708	46,898,416
Non-Current Liabilities			
Finance lease liabilities	7	2,288	13,187
Current Liabilities			
Trade and other payables	8	44,951,427	48,388,324
Finance lease liabilities	7	19,510	25,257
		44,970,937	48,413,581
Total liabilities		44,973,225	48,426,768
Total Equity and Liabilities		109,097,933	95,325,184

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Statement of Comprehensive Income

	Note(s)	2021	2020
Revenue	9	111,279,726	103,660,002
Other income	10	359,814	168,735
Operating expenses		(97,108,800)	(98,819,699)
Surplus for the year from continuing operations	11	14,530,740	5,009,038
Investment revenue	12	2,699,514	3,330,674
Finance costs	13	(3,962)	(2,166)
Surplus for the year		17,226,292	8,337,546
Other comprehensive income		-	-
Net surplus/ (deficit) for the year		17,226,292	8,337,546

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Statement of Changes in Equity

	Note(s)	Retained income	Total equity
Balance at 1 January 2020		38,560,870	38,560,870
Net surplus / (deficit) for the year		8,337,546	8,337,546
Other comprehensive income		-	-
Net surplus / (deficit) for the year		8,337,546	8,337,546
Balance at 1 January 2021		46,898,416	46,898,416
Surplus/ (deficit) for the year		17,226,292	17,226,292
Other comprehensive income		-	-
Net surplus / (deficit) for the year		17,226,292	17,226,292
Balance at 31 December 2021	-	64,124,708	64,124,708

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Statement of Cash Flows

	Note(s)	2021	2020
Cash flows from operating activities			
Cash receipts from customers		111,279,726	103,660,002
Cash payments to suppliers and employees		(97,925,720)	(97,925,024)
Cash generated from operations	15	13,354,006	5,734,978
Investment income		2,699,514	3,330,674
Finance costs		(3,962)	(2,166)
Net cash flows from operating activities		16,049,558	9,063,486
Cash flows used in investing activities			
Property, plant and equipment acquired	2	(1,685,322)	(1,871,005)
Intangible assets acquired	4	(772,706)	(880,998)
Proceeds on disposals of property, plant and equipment		321,698	244,041
Net cash flows used in investing activities		(2,136,329)	(2,507,962)
Cash flows (used in) / from financing activities			
Finance lease payments		(32,025)	11,035
Net cash flows (used in) / from financing activities		(32,025)	11,035
Net increase in cash and cash equivalents		13,881,204	6,566,559
Cash and cash equivalents at beginning of the year		47,467,408	40,900,849
Cash and cash equivalents at end of the year	6	61,348,612	47,467,408

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Pharmacy Act 53 of 1974. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the financial statements.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the council accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Lease classification

The council is party to leasing arrangements, as a lessee. The treatment of leasing transactions in the financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

The council reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed since the most recent reporting date.

Impairment testing

The council reviews and tests the carrying value of property, plant and equipment and intangible 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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Accounting Policies

Presentation of financial statements continued...

Investment property valuation

The council reviews the fair value of investment property at each reporting date with impairments or any changes in fair value being recognised in profit or loss. The review of fair value requires the use of estimates and assumptions.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available.

Other estimates made

The council makes estimates for:

- the calculation of finance lease present values; and
- the determination of useful lives and residual values of items of property plant and equipment.

Trade receivables, Held to maturity investments and Loans and receivables

The Council assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Council makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20 years
Motor vehicles	Straight line	4 years
Furniture and fittings	Straight line	10 years
Office equipment	Straight line	5 years
IT equipment	Straight line	3 years
Cell phones & tablets (included in office equipment)	Straight line	2 years

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Accounting Policies

Presentation of financial statements continued...

Land is not depreciated as it is deemed to have an indefinite life.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The residual values and useful lives of each asset are reviewed at each financial period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.3 Investment property

Investment property is property (land or a building, or part of a building, or both) held by the council to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business.

Investment property is initially measured at its cost. After initial measurement, investment property whose fair value can be measured reliably without undue cost or effort is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Where council is not able to apply fair value, it classifies the investment property as property, plant and equipment and measures and presents it as such.

1.4 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date if there are indicators present that there is a change from the previous estimate. Amortisation is provided to write down the intangible assets, on a straight-line basis, as follows:

Item	Useful life
Computer software	2 to 5 years

1.5 Financial instruments

Initial measurement

The council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Accounting Policies

Presentation of financial statements continued...

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

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

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with expected general inflation.

1.7 Impairment of assets

The council assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.8 Employee benefits

Council operates a defined contribution plan, the assets of which are held in a separate trustee-administered umbrella fund, the Sanlam Umbrella Pension Fund (the fund).

Under defined contribution plan the council's legal or constructive obligation is limited to the amount that it agrees to contribute to the fund. Consequently, the actuarial risk that benefits will be less than expected and the investment risk that assets invested will be insufficient to meet expected benefits is borne by employees.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Accounting Policies

Presentation of financial statements continued...

The benefits payable by the fund in the future, due to retirements and withdrawals from the fund, are contributions by members to the fund together with fund interest at a rate determined by the valuator with the consent of the trustees. The rate is so determined that the value of total benefits of the fund shall not exceed the value of the total assets of the fund. Council's contribution to the plan is charged to the income statement when incurred.

1.9 Provisions and contingencies

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

Provisions are not recognised for future operating losses. Provisions are recognised when:

- the company has an obligation at the reporting date as result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

1.10 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest

Interest is recognised, in profit or loss, using the effective interest rate method.

Rental Income

Rental income from operating leases (net of any commission or incentives given to the lessees) is recognised on a straight-line basis over the lease term.

1.11 Equity

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

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

2021 2020

2. Property, plant and equipment

	2021			2020		
	Cost	Accumulated Depreciation	2021 Carrying Value	Cost	Accumulated Depreciation	2020 Carrying Value
Land	8,600,000	-	8,600,000	8,600,000	-	8,600,000
Buildings	18,959,664	(9,680,884)	9,278,780	18,959,664	(8,928,601)	10,031,063
Motor vehicles	752,893	(752,887)	6	752,893	(718,418)	34,475
Furniture and fittings	4,134,886	(2,534,395)	1,600,491	4,111,487	(2,253,500)	1,857,987
Office equipment	3,224,225	(2,495,478)	728,747	2,985,363	(2,137,195)	848,168
IT equipment	7,912,141	(5,894,285)	2,017,856	8,074,028	(5,594,708)	2,479,320
Total	43,583,809	(21,357,929)	22,225,880	43,483,435	(19,632,422)	23,851,013

Reconciliation of property, plant and equipment - 2021

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	8,600,000	-	-	-	8,600,000
Buildings	10,031,063	-	-	(752,283)	9,278,780
Motor vehicles	34,475	-	-	(34,469)	6
Furniture and fittings	1,857,987	46,850	(23,254)	(281,091)	1,600,491
Office equipment	848,168	261,410	(8)	(380,823)	728,747
IT equipment	2,479,320	1,377,062	(261,327)	(1,577,199)	2,017,856
Total	23,851,013	1,685,322	(284,589)	(3,025,865)	22,225,880

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Total
Land	8,600,000	-	-	-	8,600,000
Buildings	10,702,653	61,614	-	(733,204)	10,031,063
Motor vehicles	140,247	-	-	(105,772)	34,475
Furniture and fittings	1,842,849	92,072	-	(76,934)	1,857,987
Office equipment	1,088,829	254,323	(36,657)	(458,327)	848,168
IT equipment	3,127,470	1,462,996	(210,807)	(1,900,339)	2,479,320
Total	25,502,048	1,871,005	(247,464)	(3,274,576)	23,851,013

Net carrying amounts of leased assets

Office equipment	21,024	34,836
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Details of properties

Land and buildings, Erf 1470, situated at 591 Belvedere Street, Arcadia, Pretoria in the extent of 1708 (one thousand seven hundred and eight) square meters.

Land and buildings, Erf/HAT 30, situated at 1019 Francis Baard Street, Hatfield, Pretoria in the extent of 2 552 (two thousand five hundred and fifty two) square meters.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

2021 2020

3. Investment property

	2021			2020		
	Cost	Decrease in Value	Fair Value	Cost	Decrease in Value	Fair Value
Investment properties	6,833,322	(1,833,322)	5,000,000	6,833,322	(1,833,322)	5,000,000

Reconciliation of investment property - 2021

	Opening Balance	Additions	Fair Value Adjustment	Total
Investment properties	5,000,000	-	-	5,000,000

Reconciliation of investment property - 2020

	Opening Balance	Additions	Fair Value Adjustment	Total
Investment properties	6,200,000	-	(1,200,000)	5,000,000

Details of investment property

Land and buildings, Portion 1 of Erf 35, situated at 1020 Arcadia Street, Hatfield, Pretoria in the extent of 1931 (one thousand nine hundred and thirty one) square meters. The property is used as communal for students and is earmarked in the long term for office development.

The investment property fair value was evaluated by Van Zyl Professional Associated Property Valuers. The significant assumptions used by the valuer is the highest and best use of the property which was considered to be re-development for the purposes of flats or offices and comparable market value within the area.

4. Intangible assets

	2021			2020		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer software	7,354,607	(6,468,312)	886,295	6,581,901	(5,677,119)	904,782

Reconciliation of intangible assets - 2021

	Opening Balance	Additions	Depreciation	Carrying Value
Computer software	904,782	772,706	(791,193)	886,295

Reconciliation of intangible assets - 2020

	Opening Balance	Additions	Depreciation	Carrying Value
Computer software	484,634	880,998	(460,850)	904,782

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

	2021	2020
5. Trade and other receivables		
Trade receivables	18,663,920	17,864,966
Deposits	95,646	117,989
Value Added Tax (VAT)	163,913	4,531
Other receivables	713,667	114,495
	19,637,146	18,101,981

Included in the trade receivables amount is a provision for doubtful debts amounting to R19 129 284 (2020: R17 261 072).

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,314	122
Bank balances	21,724,218	13,288,562
Short-term deposits	39,623,080	34,178,724
	61,348,612	47,467,408

Details of bank facilities held by the Council are presented below and have an expiry date of 17 December 2022 -

- Overdraft amounting to R1 500 000 for unforeseen emergencies;
- Guarantees by Bank amounting to R50 000;
- Corporate Credit Card and/or Garage Card facility by Bank amounting to R350 000;
- Fleet management services amounting to R15 000; and
- Electronic Funds Transfer Services of R6 000 000 and R1 150 000 for Salary Run and Debit Runs respectively.

7. Finance lease liabilities

Minimum lease payment which fall due

Within one year	19,510	25,257
In second to fifth year inclusive	2,288	13,187
	21,798	38,444
Present value of minimum lease payments	21,798	38,444
Non-current liabilities	2,288	13,187
Current liabilities	19,510	25,257
	21,798	38,444

8. Trade and other payables

Trade payables	1,388,143	1,177,662
Income received in advance	39,913,123	43,070,041
Employee leave days	3,596,273	3,969,643
Other payables	53,888	170,978
	44,951,427	48,388,324

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

	2021	2020
9. Revenue		
Annual fees	73,903,143	71,997,632
Evaluation, re-inspection and fines	13,105,533	12,727,866
Examination fees	359,943	303,692
Registration fees	23,911,107	18,630,812
	111,279,726	103,660,002
10. Other Income		
Insurance claim received	204,662	97,074
Other income	118,043	71,661
Profit and loss on sale of assets	37,109	-
	359,814	168,735
11. Surplus for the year from continuing operations		
Operating profit for the year is stated after accounting for the following:		
Profit/(loss) on sale of assets	37,109	(16,641)
Amortisation of intangible assets	791,193	460,850
Depreciation on property, plant and equipment	3,025,865	3,274,576
Employee costs	64,109,597	64,651,245
Research and development	90,730	121,592
12. Investment income		
Interest revenue		
Bank	2,699,514	3,330,674
13. Finance costs		
Bank	3,962	2,166
	3,962	2,166
14. Auditors' remuneration		
Fees	228,797	220,635

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

	2021	2020
15. Cash generated from operations		
Profit before taxation	17,226,292	8,337,546
Adjustments for:		
Depreciation and amortisation	3,817,058	3,735,426
(Profit)/loss on sale of assets	(37,109)	16,641
Interest received	(2,699,514)	(3,330,674)
Finance costs	3,962	2,166
Impairment of Investment property	-	1,200,000
Movement in security deposits	-	-
Extraordinary items	15,379	(1,713)
Changes in working capital:		
Increase in trade and other receivables	(1,535,165)	(3,070,900)
Decrease in trade and other payables	(3,436,897)	(1,153,514)
	13,354,006	5,734,978
16. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Plant, Equipment and Operational expenditure	1,254,092	3,705,500
	1,254,092	3,705,500
This committed expenditure relates to plant and equipment and will be financed by funds internally generated.		
Finance leases - as lessee (expenses)		
- within one year	19,510	15,672
- in second to fifth year inclusive	2,288	13,187
	21,798	28,859

South African Pharmacy Council

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Notes to the Annual Financial Statements

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17. Related parties

Relationships

Key management personnel are those members having authority and responsibility for planning, directing and controlling the activities of the council. Key management personnel include the councillors, committee members and executive management. Executive management includes the Registrar, Chief Operation Officer and Chief Financial Officer.

Related party balances and transactions with persons with control, joint control or significant influence over the council.

Council and sub-committee members, in relation to attendance of meetings-

Allowances	87,570	90,465
Meeting expenses- accommodation	546,944	813,531
Meeting expenses- member fees	475,047	509,625
Meeting expenses- locum expenses	70	132
Meeting expenses- preparation fees	169,518	209,118
Transport	48,291	228,574
Compensation of executive management	5,656,367	5,593,707

18. Going Concern

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

19. Events after reporting period

There were no adjusting events after the reporting period.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Notes to the Annual Financial Statements

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20. Financial risk management

The council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. The council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the council's financial performance.

Risk management is carried out by senior management under financial policies approved by council.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The council manages liquidity risk through the compilation and monitoring of cash forecasts, as well as ensuring that adequate borrowing facilities are maintained. The maturity profile of the council's financial instruments is less than 12 months.

Interest rate risk

The council's interest rate risk arises from the interest payable on operating leases. Interest rate is based on prime.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The council only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

As at 31 December 2021, the carrying values of trade payables, cash and accrued expenses are assumed to approximate their fair values due to the short- term maturities of these financial statements.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Detailed Income Statement

	Note(s)	2021	2020
Revenue			
Annual fees		73,903,143	71,997,632
Evaluation, re-inspection and fines		13,105,533	12,727,866
Examination fees		359,943	303,692
Registration fees		23,911,107	18,630,812
	9	111,279,726	103,660,002
Other Income			
Insurance claim received		204,662	97,074
Other income		118,043	71,661
Profit on sale of fixed assets		37,109	-
	10	359,814	168,735
Investment income			
Interest received		2,699,514	3,330,674
	12	2,699,514	3,330,674
Expenses (refer to page24)		(97,108,800)	(98,819,699)
Surplus for the year	11	17,230,254	8,339,712
Finance costs	13	(3,962)	(2,166)
Net surplus / (deficit) for the year		17,226,292	8,337,546

South African Pharmacy Council

Financial Statements for the year ended 31 December 2021

Detailed Income Statement

	Note(s)	2021	2020
Operating expenses			
Allowances		(87,570)	(90,465)
Auditors' remuneration		(228,797)	(220,635)
Bad debts and provision for doubtful debts		(2,650,482)	(6,394,147)
Bank charges		(640,359)	(774,586)
Cleaning, health and safety		(465,131)	(395,505)
Consumables		(73,676)	(96,986)
Depreciation		(3,817,058)	(3,735,426)
Employee costs		(64,109,597)	(64,651,245)
Impairment - Investment property		-	(1,200,000)
Information technology expenses		(4,651,119)	(4,534,560)
Insurance		(791,637)	(644,192)
Internal audit and consultancy		(521,228)	(283,950)
Lease rental on operating lease		(412,734)	(399,587)
Legal expenses		(29,759)	(66,000)
Loss on sale of fixed assets		-	(16,641)
Meeting expenses- accommodation		(546,944)	(813,531)
Meeting expenses- catering		(36,537)	(153,175)
Meeting expenses- locum expenses		(70)	(132)
Meeting expenses- member fees		(475,047)	(509,625)
Meeting expenses- preparation fees		(169,518)	(209,118)
Meeting expenses- transport and travelling		(48,291)	(228,574)
Office expenses		(395,841)	(512,721)
Office transport		(40,404)	(43,306)
Pharmacy conference		-	(16,212)
Pharmacy education and training		(2,683,413)	(1,766,594)
Pharmacy inspections		(5,495,178)	(2,984,086)
Postage and courier		(1,008,158)	(1,196,915)
Printing and stationery		(580,445)	(665,287)
Public relations and promotions		(534,595)	(761,767)
Repairs and maintenance		(532,371)	(479,669)
Research and development costs		(90,730)	(121,592)
Security		(830,058)	(368,247)
Social responsibility		(26,678)	(23,227)
Telephone and fax		(4,053,955)	(3,434,124)
Travel - overseas		-	(31,986)
Utilities		(1,081,420)	(995,886)
		(97,108,800)	(98,819,699)