

Financial Statements for the year ended 31 December 2023



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 15 May 2024

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2023

General Information

Country of Incorporation and Domicile	South Africa
Nature of Business and Principal Activities	Pharmacy industry regulation governed by the Pharmacy Act, 53 of 1974
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 ABSA 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

Annual Financial Statements for the year ended 31 December 2023

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Councillors' Responsibilities and Approval

The councillors are required by the Pharmacy Act of 1974 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements satisfy the financial reporting standards as to form and content and present fairly the statement of financial position, results of operations and business of the council, and explain the transactions and financial position of the business of the council at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the entity and supported by reasonable and prudent judgements and estimates.

The councillors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity 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 entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity 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 councillors have no reason to believe that the entity will not be a going concern in the foreseeable future. The annual financial statements support the viability of the entity.

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 Council and committees of the Council. 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 5.

The annual financial statements as set out on pages 8 to 29 were approved by the Council on 15 May 2024 and were signed on their behalf by:



Mr. MD Phasha (President)



Mr. VM Tlala (Registrar)



Ms. TM Shivambu (Treasurer)

Independent Auditor's Report

To the Council of South African Pharmacy Council

Report on the Audit of the annual financial statements.

Opinion

We have audited the financial statements of South African Pharmacy Council set out on pages 8 to 31 which comprise of the statement of financial position as at 31 December 2023, and the statement of comprehensive income, the statement of changes in equity and 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 annual financial statements present fairly, in all material respects, the financial position of South African Pharmacy Council as at 31 December 2023, 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 (ISAs). Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Councillors are responsible for the other information. The other information comprises the information included in the document titled "South African Pharmacy Council Annual Financial Statements for the year ended 31 December 2023", which includes the Councillor's Report and Detailed Income Statement. The other information does not include the financial statements and our auditor's report thereon.

Audit

Tax

Accounting

Consulting

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 financial statements

The councillor is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the Pharmacy Act 53 of 1974 of South Africa, and for such internal control as the councillor determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated 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: Rivalani Glen Ntuli

03 June 2024

38 Boerneef Street

Vorna Valley

Midrand

1686

Audit

Tax

Accounting

Consulting

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2023

Councillors' Report

The councillors present their report for the year ended 31 December 2023.

1. Review of financial results and activities

Main business and operations

The principal activity of the entity is pharmacy industry regulation governed by the Pharmacy Act, 53 of 1974 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.

Profit from continuing operations before finance costs and investment revenue amounted to R2 102 710 (2022: R8 309 519) for the current financial period. Financing costs for the period amounted to R6 330 (2022: R6 192) and Investment revenue amounted to R8 372 196 (2021: R4 748 975)

The council declared a net surplus for the year of R10 468 576 (2022: R13 052 302)

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 believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis.

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.

4. Councillors' interest in contracts

To our knowledge none of the councillors or prescribed officers had any interest in contracts entered into during the year under review.

South African Pharmacy Council

Annual Financial Statements for the year ended 31 December 2023

Councillors' Report

5. Councillors

The Council consists of non-executives and are South African citizens. The councillors of the entity during the year and to the date of this report are as follows:

Councillors	Office
Mr Mogologolo David Phasha	President
Ms Boitumelo Nelly Molongoana	Vice-President
Mr Tshegofatso Daniel Moralo	Treasurer
Ms Kahdija Jamaloodien	Representative from NDoH
Prof Yahya Essop Choonara	Education Committee Chairperson
Ms Mmapaseka Steve Letsike	Health Committee Chairperson
Mr Johannes Stephanus du Toit	Committee of Preliminary Investigation Chairperson
Dr Margaritha Johanna Eksteen	Committee of Informal Investigation Chairperson
Ms Jacqueline Ann Maimin	Practise Committee Chairperson
Mr Ayanda Soka	CPD Committee Chairperson
Dr Moliehi Matlala	Pre-Registrations Committee Chairperson
Ms Helen Catherine Hayes	
Dr (Adv) Nazreen Shaik-Peremanov	
Ms Josephine Herbert	
Prof Sarel Francois Malan	
Mr Pieter Johannes Kilian	
Ms Moitsoadi Sarah Mokgatha	
Prof Natalie Schellack	
Ms Tlou Mavis Shivambu	
Mr Mosioua Shadrack Shuping	
Prof Ilse Truter	
Ms Christina Aletta Venter	
Dr Petrus de Wet Wolmarans	
Ms Pakama Dlwati	

6. 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 2023

Statement of Financial Position

	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	2	40,015,582	24,674,071
Investment property	3	-	4,200,000
Intangible assets	4	1,578,312	2,274,824
		41,593,894	31,148,895
Current Assets			
Trade and other receivables	5	23,137,359	18,768,098
Cash and cash equivalents	6	88,928,411	85,348,113
		112,065,770	104,116,211
Total Assets		153,659,664	135,265,106
Equity and Liabilities			
Equity			
Retained earnings		93,320,844	82,852,262
Non-Current Liabilities			
Finance lease liabilities	7	4,299	7,760
Current Liabilities			
Trade and other payables	8	60,308,549	52,358,697
Finance lease liabilities	7	25,972	46,387
		60,334,521	52,405,084
Total liabilities		60,338,820	52,412,844
Total Equity and Liabilities		153,659,664	135,265,106

South African Pharmacy Council

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Statement of Comprehensive Income

	Note(s)	2023	2022
Revenue	9	127,440,760	118,817,598
Other income	10	196,216	346,000
Operating expenses		(125,534,260)	(110,854,077)
Profit from continuing operations	11	2,102,716	8,309,521
Investment revenue	12	8,372,196	4,748,975
Finance costs	13	(6,330)	(6,192)
Surplus for the year		10,468,582	13,052,304
Other comprehensive income		-	-
Net surplus/ (deficit) for the year		10,468,582	13,052,304

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Statement of Changes in Equity

	Note(s)	Retained earnings	Total equity
Balance at 1 January 2022		69,799,958	69,799,958
Surplus/ (deficit) for the year		13,052,304	13,052,304
Other comprehensive income		-	-
Net surplus / (deficit) for the year		13,052,304	13,052,304
Balance at 31 December 2022		82,852,262	82,852,262
Surplus/ (deficit) for the year		10,468,582	10,468,582
Other comprehensive income		-	-
Net surplus / (deficit) for the year		10,468,582	10,468,582
Balance at 31 December 2023	-	93,320,844	93,320,844

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Statement of Cash Flows

	Note(s)	2023	2022
Cash flows from operating activities			
Cash receipts from customers		127,440,760	118,817,598
Cash payments to suppliers and employees		(116,323,136)	(96,518,924)
Cash generated from operations	14	11,117,624	22,298,674
Investment revenue	12	8,372,196	4,748,975
Finance costs	13	(6,330)	(6,192)
Net cash flows from operating activities		19,483,490	27,041,457
Cash flows used in investing activities			
Investment property transferred	3	4,200,000	-
Property, plant and equipment acquired	2	(19,662,889)	(2,457,693)
Intangible assets acquired	4	(435,010)	(573,159)
Proceeds on disposals of property, plant and equipment		57,339	50,436
Net cash flows used in investing activities		(15,840,560)	(2,980,416)
Cash flows used in financing activities			
Finance lease payments		(62,632)	(61,540)
Net cash flows used in financing activities		(62,632)	(61,540)
Net increase in cash and cash equivalents		3,580,298	23,999,501
Cash and cash equivalents at beginning of the year		85,348,113	61,348,612
Cash and cash equivalents at end of the year	6	88,928,411	85,348,113

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

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 2023

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. The fair value of investment property is determined using a valuation expert based on the market value of comparable properties.

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.

Leased asset is amortized/depreciated from the lease commencement date (the date the lessee begins to make payments) to the end of the lease's term. In some cases, it may be from the commencement date to the end of the useful life of the asset.

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. Depreciation commences when the asset is ready for use for its intended and ceases when the asset is disposed or retired. All assets are depreciated to a nil residual value. Depreciation rates are as follows:

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Accounting Policies

Presentation of financial statements continued...

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

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

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Accounting Policies

Presentation of financial statements continued...

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. At initial recognition, council measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability.

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.

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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Accounting Policies

Presentation of financial statements continued...

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.

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 but disclosed, unless the possibility of an outflow of economic resources is remote.

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.

The council derives revenue from it's registered members in the following categories:

Annual fees
Evaluations, re-inspections and fines
Examinations
Registration fees.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Accounting Policies

Presentation of financial statements continued...

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.

1.12 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Management are those persons responsible for planning, directing and controlling the activities of the Group, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the Annual Financial Statements to understand the effect of related party transactions on its Annual Financial Statements.

1.13 Other income

Other income is recognised when it is probable that future economic benefits will flow to the entity and when the amount can be measured reliably. Other income consists of insurance proceeds, training refunds, profit on sale of assets and other income.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

2023

2022

2. Property, plant and equipment

	2023			2022		
	Cost	Accumulated Depreciation	2023 Carrying Value	Cost	Accumulated Depreciation	2022 Carrying Value
Land	12,349,275	-	12,349,275	8,600,000	-	8,600,000
Buildings	30,818,624	(11,500,685)	19,317,939	19,115,223	(10,029,423)	9,085,800
Motor vehicles	907,532	(794,646)	112,886	752,893	(598,248)	154,645
Furniture and fittings	5,843,341	(3,149,693)	2,693,648	4,570,541	(2,629,778)	1,940,763
Office equipment	4,641,957	(3,387,593)	1,254,364	3,965,167	(2,750,912)	1,214,255
IT equipment	11,966,358	(7,678,888)	4,287,470	9,163,191	(5,484,583)	3,678,608
Total	66,527,087	(26,511,505)	40,015,582	46,167,015	(21,492,944)	24,674,071

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023					2022
<i>Property, plant and equipment continued...</i>						
Reconciliation of property, plant and equipment - 2023						
	Opening Balance	Transfer	Additions	Disposals	Depreciation	Total
Land	8,600,000	3,749,275			-	12,349,275
Buildings	9,085,800	450,725	10,848,082		(1,066,668)	19,317,939
Motor vehicles	154,645				(41,759)	112,886
Furniture and fittings	1,940,763		1,135,403	(9,606)	(372,912)	2,693,648
Office equipment	1,214,255		630,665	(70,691)	(519,865)	1,254,364
IT equipment	3,678,608		2,848,739	(234,141)	(2,005,736)	4,287,470
Total	24,674,071	4,200,000	15,462,889	(314,438)	(4,006,940)	40,015,582

Reconciliation of property, plant and equipment - 2022

	Opening balance	Reclassification	Additions	Disposals	Depreciation	Total
Land	8,600,000	-	-	-	-	8,600,000
Buildings	9,789,210	-	155,560		(858,970)	9,085,800
Motor vehicles	231,965	-			(77,320)	154,645
Furniture and fittings	1,873,519	-	443,405	(1,511)	(374,650)	1,940,763
Office equipment	1,328,089	314,622	410,454	(5,635)	(833,275)	1,214,255
IT equipment	3,986,020	-	1,448,274	(9)	(1,755,677)	3,678,608
Total	25,808,803	314,622	2,457,693	(7,155)	(3,899,892)	24,674,071

The Land and Buildings, Portion 1 of ERF 34 held as investment property was transferred into Property, Plant and Equipment due to change of use (owner occupation) at fair value and effective on the 1 January 2023.

Net carrying amounts of leased assets

Office equipment		26,043	52,057
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South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

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Property, plant and equipment continued...

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.

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.

3. Investment property

	2023			2022		
	Cost	Decrease in Value	Fair Value	Cost	Decrease in Value	Fair Value
Investment properties	-	-	-	6,833,322	(2,633,322)	4,200,000

Reconciliation of investment property - 2023

	Opening Balance	Transfer	Fair Value Adjustment	Total
Investment properties	4,200,000	(4,200,000)	-	-

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022		
<i>Investment property continued...</i>				
Reconciliation of investment property - 2022				
	Opening Balance	Additions	Fair Value Adjustment	Total
Investment properties	5,000,000	-	(800,000)	4,200,000

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.

The Land and Buildings, Portion 1 of ERF 34 held as investment property was transferred into Property, Plant and Equipment due to change of use (owner occupation) at fair value and effective on the 1 January 2023.

4. Intangible assets

	2023			2022		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer software	8,917,913	(7,339,601)	1,578,312	7,550,221	(5,275,397)	2,274,824

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023				2022
<i>Intangible assets continued...</i>					
Reconciliation of intangible assets - 2023					
	Opening Balance	Disposal	Additions	Depreciation	Carrying Value
Computer software	2,274,824	(79,304)	435,010	(1,052,218)	1,578,312
Reconciliation of intangible assets - 2022					
	Opening Balance	Reclassification	Additions	Depreciation	Carrying Value
Computer software	2,978,621	(314,622)	573,159	(962,334)	2,274,824
5. Trade and other receivables					
Trade receivables				21,783,676	17,471,034
Deposits				95,646	95,646
Value Added Tax (VAT)				498,273	445,423
Other receivables				759,764	755,995
				23,137,359	18,768,098

Included in the trade receivables amount is a provision for doubtful debts amounting to R20 618 509 (2022: R16 714 509).

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	7,279	6,708
Bank balances	22,995,689	37,876,268
Short-term deposits	65,925,443	47,465,137
	88,928,411	85,348,113

Details of bank facilities held by the Council are presented below and have an expiry date of 17 December 2024:

- Overdraft amounting to R1 500 000 for unforeseen emergencies;
- Guarantees by Bank amounting to R50 000;
- Corporate Credit Card, Travel card and/or Garage Card facility by Bank amounting to R550 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	25,972	46,387
In second to fifth year inclusive	4,299	7,760
	30,271	54,147
Present value of minimum lease payments	30,271	54,147
Non-current liabilities	4,299	7,760
Current liabilities	25,972	46,387
	30,271	54,147

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022
8. Trade and other payables		
Trade payables	1,541,096	1,501,772
Income received in advance	50,775,297	46,761,592
Employee leave days	3,551,529	2,923,904
Other payables	4,440,627	1,171,429
	60,308,549	52,358,697

Other payables consists of accruals and payroll related debt.

9. Revenue		
Annual fees	86,247,317	79,307,057
Evaluation, re-inspection and fines	13,863,492	13,412,592
Examination fees	459,419	349,468
Registration fees	26,870,532	25,748,481
	127,440,760	118,817,598

10. Other Income		
Insurance claim received	47,620	37,582
Other income	148,596	263,137
Profit on sale of assets	-	43,281
Sponsorship	-	2,000
	196,216	346,000

Other income mainly consists of seta refunds.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022
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	(257,099)	43,281
Amortisation of intangible assets	1,052,218	962,334
Depreciation on property, plant and equipment	4,006,940	3,899,892
Employee costs	78,694,887	69,952,094
Research and development	165,454	118,552
Audit fees	305,351	212,279
12. Investment revenue		
Interest received		
Bank	8,372,196	4,748,975
13. Finance costs		
Finance leases	6,330	6,192
	6,330	6,192

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022
14. Cash generated from operations		
Surplus for the year	10,468,582	13,052,304
Adjustments for:		
Depreciation and amortisation	5,059,158	4,862,226
(Profit)/loss on sale of assets	257,099	(43,281)
Investment income	(8,372,196)	(4,748,975)
Finance costs	6,330	6,192
Fair value adjustment	-	800,000
Extraordinary items	118,060	93,887
Changes in working capital:		
Decrease/ (Increase) in trade and other receivables	(4,369,261)	869,048
Increase/ (Decrease) in trade and other payables	7,949,852	7,407,273
	11,117,624	22,298,674

15. Commitments

Operational Expenditure

Already contracted for but not provided for

- within one year	2,969,727	2,347,056
- in second to fifth year inclusive	1,525,351	1,573,047
	4,495,078	3,920,103

This committed expenditure relates to plant and equipment and will be financed by funds internally generated.

Finance leases - as lessee (expenses)

- within one year	25,972	46,387
- in second to fifth year inclusive	4,299	7,760
	30,271	54,147

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

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16. 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	96,538	91,072
Meeting expenses- accommodation	1,430,913	728,289
Meeting expenses- member fees	1,406,293	1,019,201
Meeting expenses- locum expenses	337	2,322
Meeting expenses- preparation fees	637,027	458,369
Transport	288,358	262,919
Compensation of executive management	6,449,203	5,744,902

17. 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.

18. 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 2023

Notes to the Annual Financial Statements

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19. 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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Notes to the Annual Financial Statements

	2023	2022
<i>Financial risk management continued...</i>		
Fair value of financial instruments		
The carrying amount of the financial assets and liabilities reported in the statement of financial position are considered to approximate their fair value as at 31 December 2022.		
Categories of financial instruments		
Financial assets		
Loans and receivables	<u>112,065,770</u>	<u>104,116,211</u>
Reconciliation to statement of financial position		
Trade and other receivables	23,137,359	18,768,098
Cash	<u>88,928,411</u>	<u>85,348,113</u>
Loans and receivables	<u>112,065,770</u>	<u>104,116,211</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>60,338,820</u>	<u>52,412,844</u>
Reconciliation to statement of financial position		
Trade and other payables	60,308,549	52,358,697
Finance lease liabilities	<u>30,271</u>	<u>54,147</u>
	<u>60,338,820</u>	<u>52,412,844</u>

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Detailed Income Statement

	Note(s)	2023	2022
Revenue			
Annual fees		86,247,317	79,307,057
Evaluation, re-inspection and fines		13,863,492	13,412,592
Examination fees		459,419	349,468
Registration fees		26,870,532	25,748,481
	9	127,440,760	118,817,598
Other Income			
Insurance claim received		47,620	37,582
Other income		148,596	263,137
Profit on sale of fixed assets		-	43,281
Sponsorship		-	2,000
	10	196,216	346,000
Investment income			
Interest received		8,372,196	4,748,975
	12	8,372,196	4,748,975
Expenses (refer to page31)		(125,534,260)	(110,854,077)
Surplus for the year	11	10,474,912	13,058,496
Interest Paid - Bank Overdraft	13	(6,330)	(6,192)
Net surplus / (deficit) for the year		10,468,582	13,052,304

South African Pharmacy Council

Financial Statements for the year ended 31 December 2023

Detailed Income Statement

	Note(s)	2023	2022
Operating expenses			
Allowances		(96,538)	(91,072)
Auditors' remuneration		(305,351)	(212,279)
Bank charges		(671,601)	(716,618)
Cleaning, health and safety		(354,812)	(545,313)
Consumables		(318,386)	(175,991)
Council elections		(51,763)	-
Depreciation		(5,059,158)	(4,862,226)
Employee costs		(78,694,887)	(69,952,094)
Fair value adjustment		-	(800,000)
Information technology expenses		(6,456,904)	(6,263,804)
Insurance		(830,113)	(840,806)
Internal audit and consultancy		(497,030)	(440,835)
Lease rental on operating lease		(372,621)	(394,463)
Legal expenses		(736,862)	(1,088,397)
Loss on sale of fixed assets		(257,099)	-
Meeting expenses- accommodation		(1,430,913)	(728,289)
Meeting expenses- catering		(399,327)	(183,962)
Meeting expenses- locum expenses		(337)	(2,322)
Meeting expenses- member fees		(1,406,293)	(1,019,201)
Meeting expenses- preparation fees		(637,027)	(458,369)
Meeting expenses- transport and travelling		(288,358)	(262,919)
Office expenses		(1,266,325)	(737,026)
Office transport		(52,933)	(65,699)
Pharmacy education and training		(2,935,042)	(3,066,734)
Pharmacy inspections		(4,819,860)	(4,075,773)
Postage and courier		(1,365,046)	(1,231,088)
Printing and stationery		(564,806)	(393,547)
Provision for doubtful debts		(4,141,899)	(4,628,255)
Public relations and promotions		(629,046)	(418,805)
Repairs and maintenance		(3,761,693)	(1,034,724)
Research and development costs		(165,454)	(118,552)
Security		(1,469,168)	(977,626)
Social responsibility		(46,871)	(11,466)
Telephone and fax		(3,314,772)	(3,584,298)
Travel - overseas		(784,581)	(394,424)
Utilities		(1,351,384)	(1,077,100)
		(125,534,260)	(110,854,077)