

Financial statements for the year ended 31 December 2017



**South African
Pharmacy Council**
www.sapc.za.org

These financial statements were prepared by: Voster Himbotwe
General Manager: Finance

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

Issued 16 May 2018

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

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
Auditor	Rakoma and Associates Incorporated Chartered Accountants (S.A.) 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: Voster Himbotwe General Manager, Finance

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Index

The reports and statements set out below comprise the financial statements presented to the South African Pharmacy Council:

Index	Page
Councillors' Responsibilities and Approval	3
Independent Auditor's Report	4 - 6
Councillors' Report	7 - 8
Statement of Financial Position	9
Statement of Comprehensive Income	10
Statement of Changes in Equity	11
Statement of Cash Flows	12
Accounting Policies	13 - 16
Notes to the Financial Statements	17 - 22

The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income Statement	23 - 24
---------------------------	---------

Preparer

Voster Himbotwe
General Manager: Finance

Published

16 May 2018

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

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 financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied 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 council and place considerable importance on maintaining a strong control environment. To enable the councillors to meet these responsibilities, the councillors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the 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 financial statements.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

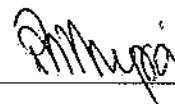
The councillors have reviewed the council's cash flow forecast for the year to 31 December 2018 and, in the light of this review and the current financial position, they are satisfied that the council has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the council's financial statements. The financial statements have been examined by the council's external auditor whose report is presented on page 4.

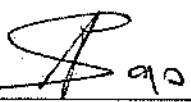
The financial statements set out on pages 6 to 24, which have been prepared on the going concern basis, were approved by the councillors on 16 May 2018 and were signed on its behalf by:



Prof. M Chetty (President)



Ms. NP Thipa (Treasurer)



Mr. TA Masango (Registrar)

REPORT OF THE INDEPENDENT AUDITOR

To the councilors of the South African Pharmacy Council

We have audited the financial statements of the South African Pharmacy Council set out on pages 9 to 22, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income and statement of changes in equity 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 South African Pharmacy Council as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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. 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 council 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 matters

We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Other information

The councillors are responsible for the other information. The other information comprises the Councillors' Report as required by the Pharmacy Act 53 of 1974, which we obtained prior to the date of this report. 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.

Chairman of the Board: EM Rakoma CA (SA)

Head Office - Gauteng: (Primary
domicilium citandi et executandi)
Monte Circle Office Park,
Ground Floor Building B,
178 Monte Casino Boulevard,
Magaiesig, Sandton, 2191,
Johannesburg, South Africa

P.O. Box 1117, Randpark Ridge,
Randburg, 2156

Tel : +27 (0) 11 463 5781
Fax: +27 (0) 11 463 0186

Eastern Cape:
95 Western Avenue,
Vincent,
East London, 5247

P.O. Box 15273,
Beacon Bay,
East London, 5205

Tel : +27 (0) 43 721 0863
Fax: +27 (0) 43 721 0843

Limpopo:
Rhodesdrift Office Park,
Building One,
23 Rhodesdrift Street,
Bendor,
Polokwane,
0699

Tel : +27 (0) 15 296 0122/3
Fax: +27 (0) 15 296 0039

North West:
29 Van Weiligh Street,
Rustenburg
0300

Tel : +27 (0) 14 594 2737
Fax: +27 (0) 86 647 1027

Northern Cape:
Shop 8,
1-9A Jacobus Smit Street,
Royalyard Park, Royal Glen,
Kimberley, 8301

P.O. Box 3392,
Diamond Pavilion Mall,
Kimberley, 8305

Tel : +27 (0) 53 831 2253
Fax: +27 (0) 86 647 1027

*Registered name : Rakoma and Associates Incorporated

*A complete list of Directors and Partners is available upon request.

Company Registration: 2002/024847/21

Web: www.rakoma.co.za

[www.linkedin.com/company/rakoma and associates-inc](https://www.linkedin.com/company/rakoma-and-associates-inc)

www.facebook.com/RakomaInc

Email (General information):

info@rakoma.co.za



Unaudited supplementary information

The supplementary information set out on pages 32 to 33 does not form part of the financial statements and is presented as additional information. We have not audited this information and, accordingly, we do not express an opinion thereon.

Responsibilities of the councillors for the annual financial statements

The councillors are 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, and for such internal control as the councillors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the councillors are responsible for assessing the council'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 council 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 judgment 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 council'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 councillor'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 councillor'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 council 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.

Rakoma & Associates Incorporated

Per: Collins Malunga

Chartered Accountant (SA)

Registered Auditor

Director

28/05/2018

Fourways

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Councillors' Report

The council members have pleasure in submitting their report on the financial statements of South African Pharmacy Council for the year ended 31 December 2017.

1. Nature of business

The South African Pharmacy Council is a non-profit making statutory body governed by the Pharmacy Act 53 of 1974. The objectives of the council (as contained in the Act) may be summarised as follows:

- to assist in the promotion of the health of the population of the Republic;
- to advise the minister, or any other person, on any matters relating to pharmacy;
- to promote the provision of pharmaceutical care;
- to uphold and safeguard the rights of the general public to universally acceptable standards of pharmacy practice; and
- to establish, develop, maintain and control universally acceptable standards relating to pharmaceutical education and training, registration, practice and professional conduct.

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

2. Review of financial results and activities

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Pharmacy Act 53 of 1974. The accounting policies have been applied consistently compared to the prior year.

3. Councillors

The councillors in office at the date of this report are as follows:

Councillors	Office	Designation	Nationality
Prof. Manoranjenni Chetty	President	Non-executive	South African
Mr. Douglas James Heaslet Defty	Vice President	Non-executive	South African
Ms. Ncawe Portia Thipa	Treasurer	Non-executive	South African
Mr. Gavin Stewart Steel	Representative from DOH	Non-executive	South African
Prof. Roderick Bryan Walker	Education committee chairperson	Non-executive	South African
Mr. Vusi Cornelias Dlamini	Health committee chairperson	Non-executive	South African
Mr. Tshuba Solomon Rasekele	CPI chairperson	Non-executive	South African
Mr. Rajatheran Moodley	CII chairperson	Non-executive	South African
Ms. Jacqueline Ann Malmin	Practice committee chairperson	Non-executive	South African
Dr. Panjasaram Naidoo	CPD committee chairperson	Non-executive	South African
Mr. Ayanda Soka		Non-executive	South African
Mr. Gaobohe Jonas Kgasane		Non-executive	South African
Mr. Charles John Cawood		Non-executive	South African
Mr. Panajiotaki George Kyriacos		Non-executive	South African
Ms. Letty Mahangu		Non-executive	South African
Mr. Johannes Albertus Raats		Non-executive	South African
Mr. Hezron Tshepo Mphaka		Non-executive	South African
Ms. Helen Catherine Hayes		Non-executive	South African

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Councillors' Report

Councillors	Office	Designation	Nationality
Mr. Mathys Jacobus Snyman		Non-executive	South African
Mr. Johannes Stephanus Du Toit		Non-executive	South African
Prof. Shirley-Anne Boschmans		Non-executive	South African
Ms. Rachel Verity Wrigglesworth		Non-executive	South African
Ms. Claudette Norina Jasson		Non-executive	South African
Adv. Nazreen Shaik-Peremariov		Non-executive	South African
Ms. Josephine Herbert		Non-executive	South African

4. Events after the reporting period

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

5. Going concern

The councillors believe that the council has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The councillors have satisfied themselves that the council is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The councillors are not aware of any new material changes that may adversely impact the council. The councillors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the council.

6. Auditors

Rakoma and Associates Incorporated continued in office as auditors for the Council for year ended 31 December 2017.

7. Audit committee

The audit committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework. The committee consists of non-executive members of which two are councillors and three are independent professionals with accounting, auditing, information technology and legal background. The committee meets at least three times a year.

The primary responsibility of the committee is to assist the councillors in carrying out their duties relating to accounting policies, internal control systems, financial reporting and practices. The external auditors formally report to the committee on critical findings arising from audit activities.

The committee members during the year were:

Name	Office	Designation	Nationality
Adv. Motlatjo Josephine Ralefatane	Chairperson	Independent	South African
Ms. Anna Mirriam Mmanoko Badimo		Independent	South African
Ms. Shaila Hari		Independent	South African
Mr. Panajiotaki George Kyriacos		Council member	South African
Mr. Johannes Stephanus Du Toit		Council member	South African

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Statement of Financial Position as at 31 December 2017

	Note(s)	2017	Restated 2016
Assets			
Non-Current Assets			
Property, plant and equipment	2	22 205 241	10 392 725
Investment Property	3	6 833 322	-
Intangible assets	4	659 390	101 638
		29 697 953	10 494 363
Current Assets			
Trade and other receivables	5	13 287 851	15 949 056
Cash and cash equivalents	6	26 347 478	38 176 849
		39 635 329	54 125 905
Total Assets		69 333 282	64 620 268
Equity and Liabilities			
Equity			
Retained Income		28 498 830	21 288 275
Liabilities			
Non-Current Liabilities			
Finance lease liabilities	7	-	10 996
Current Liabilities			
Trade and other payables	8	40 823 473	43 300 064
Finance lease liabilities	7	10 979	20 934
		40 834 452	43 320 998
Total Liabilities		40 834 452	43 331 994
Total Equity and Liabilities		69 333 282	64 620 268

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Statement of Comprehensive Income

	Note(s)	2017	Restated 2016
Revenue	9	79 292 517	71 173 217
Other income	10	439 765	6 638 755
Operating expenses		(74 928 336)	(71 271 259)
Operating profit	11	4 803 946	6 540 712
Investment revenue	12	2 412 625	2 463 804
Finance costs	13	(6 015)	(6 011)
Profit for the year		7 210 556	8 998 505
Other comprehensive income		-	-
Total comprehensive income for the year		7 210 556	8 998 505

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Statement of Changes in Equity

	Retained income	Total equity
Restated balance at 01 January 2016	12 289 770	12 289 770
Profit for the year	8 998 505	8 998 505
Other comprehensive income	-	-
Total comprehensive income for the year	8 998 505	8 998 505
Restated balance at 01 January 2017	21 288 275	21 288 275
Profit for the year	7 210 556	7 210 556
Other comprehensive income	-	-
Total comprehensive income for the year	7 210 556	7 210 556
Balance at 31 December 2017	28 498 830	28 498 830

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Statement of Cash Flows

	Note(s)	2017	Restated 2016
Cash flows from operating activities			
Cash generated from operations	15	7 264 716	6 824 395
Interest income		2 412 625	2 463 804
Finance costs		(6 015)	(3 532)
Net cash from operating activities		9 671 326	9 284 667
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(20 713 227)	(554 845)
Sale of property, plant and equipment	2	25 070	61 190
Purchase of other intangible assets	4	(789 360)	-
Net cash from investing activities		(21 477 517)	(493 655)
Cash flows from financing activities			
Finance lease payments		(23 180)	(31 367)
Total cash movement for the year		(11 829 371)	8 759 644
Cash at the beginning of the year		38 176 849	29 417 205
Total cash at end of the year	6	26 347 478	38 176 849

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

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.

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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Accounting Policies

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
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4 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.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Accounting Policies

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 years
Register (included in computer software)	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.

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.

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 2017

Accounting Policies

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 fund, the South African Pharmacy Council 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.

1.10 Borrowing

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 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.

1.12 Share Capital and Equity

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

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

	2017			2016		
2. Property, Plant and equipment						
	2017			2016		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Land	8 600 000	-	8 600 000	600 000	-	600 000
Buildings	16 494 871	(6 802 778)	9 692 093	12 864 306	(6 283 917)	6 580 389
Furniture and fixtures	2 960 128	(1 596 513)	1 363 614	2 370 247	(1 417 994)	952 253
Motor vehicles	752 893	(528 444)	224 449	752 893	(340 221)	412 672
Office equipment	2 225 999	(1 404 753)	821 247	1 770 366	(1 211 556)	558 810
IT equipment	5 291 645	(3 787 806)	1 503 839	4 430 530	(3 141 929)	1 288 601
Total	36 325 535	(14 120 294)	22 205 241	22 788 342	(12 395 617)	10 392 725

Reconciliation of property, plant and equipment – 2017

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	600 000	8 000 000	-	-	8 600 000
Buildings	6 580 389	3 630 565	-	(518 861)	9 692 094
Furniture and fixtures	952 253	668 651	(4 728)	(252 562)	1 363 614
Motor vehicles	412 672	-	-	(188 223)	224 449
Office equipment	558 810	484 524	(2)	(222 085)	821 247
IT equipment	1 288 601	1 096 166	(40 930)	(839 997)	1 503 839
Total	10 392 725	13 879 905	(45 660)	(2 021 728)	22 205 241

Reconciliation of property, plant and equipment – 2016

	Opening Balance	Additions	Disposals	Depreciation	Total
Land	600 000	-	-	-	600 000
Buildings	7 086 862	48 792	-	(555 066)	6 580 389
Furniture and fixtures	1 172 456	-	(4 233)	(215 970)	952 253
Motor vehicles	600 895	-	-	(188 223)	412 672
Office equipment	621 662	187 861	(2 168)	(248 545)	558 810
IT equipment	1 983 917	318 192	(18 227)	(995 282)	1 288 601
Total	12 065 592	554 845	(24 628)	(2 203 086)	10 392 725

Net carrying amounts of leased assets

Office equipment	23 594	36 803
------------------	--------	--------

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 2017

Notes to the Financial Statements

	2017			2016		
3. Investment property						
	2017			2016		
	Cost	Impairment	Fair Value	Cost	Impairment	Fair Value
Investment property	6 833 322	-	6 833 322	-	-	-

Reconciliation of investment of property – 2017

	Opening Balance	Additions	Impairment	Total
Investment property	-	6 833 322	-	6 833 322

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.

4. Intangible assets

	2017			2016		
	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
Computer software	5 468 494	(4 809 104)	659 390	4 679 134	(4 577 496)	101 638

Reconciliation of intangible assets – 2017

	Opening Balance	Additions	Depreciation	Total
Computer software	101 638	789 360	(231 607)	659 390

Reconciliation of intangible assets – 2016

	Opening Balance	Additions	Depreciation	Total
Computer software	620 923	-	(519 285)	101 638

5. Trade and other receivables

Trade receivables	12 834 880	15 821 999
Deposits	13 536	11 822
VAT	377 456	63 157
Other receivables	61 979	52 079
	13 287 851	15 949 057

Included in the trade receivables amount is a provision for doubtful debts amounting to R13 901 779 (2016: R10 390 524).

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

	2017	2016
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	2 581	6 787
Bank balances	12 320 204	25 258 620
Short-term deposits	14 024 693	12 911 442
	26 347 478	38 176 849
Details of facilities held by the Council are as follows:		
<ul style="list-style-type: none">• Overdraft amounting to R1 500 000 of which the expiry date is 21/09/2018 for unforeseen emergencies. The facility has not been used at reporting date;• Guarantees by the bank amounting to R50 000 of which the expiry date is 21/09/2018; and• Card facility by the bank amounting to R350 000 of which the expiry date is 21/09/2018.		
7. Finance lease liabilities		
Minimum lease payments which fall due		
Within one year	11 298	23 292
In second to fifth year inclusive	-	11 325
	11 298	34 617
Less: future finance charges	(319)	(2 687)
Present value of minimum lease payments	10 979	31 930
Non-current liabilities	-	10 996
Current liabilities	10 979	20 934
	10 979	31 930
8. Trade and other payables		
Trade payables	1 769 219	338 846
Income received in advance	37 092 052	39 668 550
Employee leave days	1 870 976	1 813 976
Other payables	91 225	1 478 692
	40 823 473	43 300 064
9. Revenue		
Annual and registration fees	68 799 438	61 972 018
Rendering of services	534 727	273 688
Other revenue	9 958 352	8 927 511
	79 292 517	71 173 217

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

	2017	Restated 2016
10. Other income		
Profit and loss on sale of assets and liabilities	-	30 270
Sponsorship	-	5 899 898
Other income	423 600	647 429
Insurance claim received	16 165	61 157
	439 765	6 638 755
11. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Profit/(loss) on disposal of assets	(24 533)	30 270
Amortisation of intangible assets	231 607	519 285
Depreciation on property, plant and equipment	2 021 728	2 203 086
Employee costs	42 119 891	37 732 696
Research and development costs	69 530	406 360
12. Investment revenue		
Interest revenue		
Bank	2 412 625	2 463 804
13. Finance costs		
Finance leases	-	2 479
Bank	6 015	3 532
	6 015	6 011
14. Auditor's remuneration		
Fees	168 195	172 831
15. Cash generated from operations		
Profit before taxation	7 210 556	8 998 505
Adjustments for:		
Depreciation and amortisation	2 253 336	2 722 370
(Profit) loss on sale of assets	24 533	(30 270)
Interest received	(2 412 625)	(2 463 804)
Finance costs	6 015	6 011
Movements in provisions	-	(908 777)
Movements in Security Deposits	(1 713)	-
Changes in working capital:		
Trade and other receivables	2 661 206	(3 164 832)
Trade and other payables	(2 476 591)	1 665 191
	7 264 716	6 824 395

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

	2017	2016
16. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	578 596	3 550 054
Not yet contracted for and authorised by Council	3 151 664	-
	3 730 260	3 550 054

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

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	10 979	23 292
- in second to fifth year inclusive	-	11 325
	10 979	34 617

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 General Manager: Finance/CFO.

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

Council members, in relation to attendance of meetings-		
Allowances	733 910	652 360
Committee meeting expenses	487 485	316 963
Council and sub-committee member fees	420 035	379 338
Locum fees	168 440	143 474
Preparation fees	107 263	89 150
Transport	904 961	830 290
Compensation of executive management	4 192 036	3 831 494

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 the reporting period

There were no adjusting events after the reporting period.

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Notes to the Financial Statements

2017

2016

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 members.

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 2017, 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.

21. Prior Period Errors

Management performed comprehensive reconciliations of member accounts during the year. It was identified that there were some members who were not invoiced in previous years. The annual, registrations and restorations fees for the previous years had to be adjusted retrospectively with the new invoices that were raised against member accounts. The impact of the prior period adjustment is noted below:

	2016	2015	2014
Revenue			
- Annual fees	342 614	260 470	203 528
- Registration fees	20 934	90 418	290 050
- Restoration fees	101 559	125 898	32 369
Trade receivables	465 107	476 786	525 947
Retained income	465 107	476 786	525 947

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Detailed Income Statement

	Note(s)	2017	2016
Revenue			
Annual and registration fees		68 799 438	61 972 018
Examination fees		534 727	273 688
Other revenue		9 958 352	8 927 511
	9	79 292 517	71 173 217
Other income			
Profit and loss on sale of assets		-	30 270
Sponsorship		-	5 899 898
Other income		423 600	647 429
Insurance claim received		16 165	61 157
	10	439 765	6 638 755
Investment income			
Interest received		2 412 625	2 463 804
	12	2 412 625	2 463 804
Expenses (Refer to page 23)			
		(74 928 336)	(71 271 259)
Operating profit	11	7 216 571	9 004 516
Finance costs	13	(6 015)	(6 011)
Profit for the year		7 210 556	8 998 505

The supplementary information presented does not form part of the financial statements

South African Pharmacy Council

Financial Statements for the year ended 31 December 2017

Detailed Income Statement

	Note(s)	2 017	2016
Operating expenses			
Advertising and promotions		(200 219)	(157 405)
Allowances		(733 910)	(652 360)
Auditors remuneration	15	(168 195)	(172 831)
Bad debts and provision for doubtful debts		(5 454 079)	(1 878 138)
Bank charges		(692 952)	(591 327)
Cleaning		(31 829)	(27 366)
Computer expenses		(3 717 169)	(3 510 665)
Committee meeting expenses		(487 485)	(316 963)
Conferences		(113 396)	(7 327 530)
Consumables		(138 180)	(111 464)
Council and sub-committee member fees		(420 035)	(379 338)
Curriculum development		(2 543 793)	(2 162 135)
Depreciation, amortisation and impairments		(2 253 336)	(2 722 370)
Disciplinary fees		(54 033)	(55 467)
Employee costs		(42 119 891)	(37 732 696)
Inspection fees		(3 988 573)	(3 381 540)
Insurance		(239 657)	(222 768)
Tax adjustments/ re-assessments - SARS		-	(445 901)
Lease rentals on operating lease		(429 287)	(421 077)
Legal expenses		(91 050)	(31 000)
Locum fees		(168 440)	(143 474)
Loss on disposal of assets		(24 533)	-
Office expenses		(2 620 734)	(1 206 675)
Postage		(888 269)	(677 111)
Preparation fees		(107 263)	(89 150)
Printing and stationery		(1 234 807)	(1 096 697)
Repairs and maintenance		(1 167 877)	(954 667)
Research and development costs		(69 530)	(406 360)
Security		(630 098)	(334 461)
Telephone and fax		(1 952 425)	(1 933 159)
Training		(728 542)	(605 434)
Transport expenses		(904 961)	(830 290)
Utilities		(553 787)	(693 439)
		(74 928 336)	(71 271 259)

The supplementary information presented does not form part of the financial statements.