

Alkem Laboratories (Pty) Ltd
(Registration number 2008/012973/07)
Financial statements

for the year ended 31 March 2018

These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

Issued 30 April 2018

Alkem Laboratories (Pty) Ltd

(Registration number 2008/012973/07)

Financial Statements for the year ended 31 March 2018

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Registration of and trading in pharmaceutical products
Directors	S Singh DK Singh IS Viljoen S Swaminathan
Registered office	R21 Corporate Office Park 121 Sovereign Drive Block A, OfficeA202 Irene 0157
Holding company	Alkem Laboratories Limited incorporated in India
Bankers	The Standard Bank of South Africa Limited State Bank of India
Auditors	GNR Registered Auditors Chartered Accountants (SA) Registered Auditors
Preparer	The financial statements were independently compiled by: RMC Auditors

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Supervised by

S Swaminathan
Director

Published

30 April 2018

Alkem Laboratories (Pty) Ltd

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Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2006 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company 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 International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

The directors 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 directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

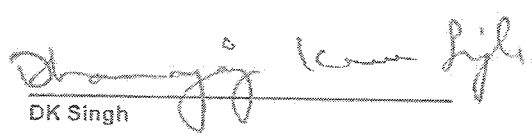
The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The financial statements set out on pages 7 to 28, which have been prepared on the going concern basis, were approved by the board on 30 April 2018 and were signed on their behalf by:

Approval of financial statements


S Swaminathan

30 April 2018


DK Singh



**Chartered Accountants (SA)
Registered Auditors**

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Independent Auditor's Report

To the shareholder of Alkem Laboratories (Pty) Ltd

Opinion

We have audited the financial statements of Alkem Laboratories (Pty) Ltd set out on pages 7 to 26, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the 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 Alkem Laboratories (Pty) Ltd as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

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 company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008 of South Africa, 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.

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

Independent Auditor's Report

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

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



GNR Registered Auditors
CR Rademeyer
Partner
Chartered Accountants (SA)
Registered Auditors

30 April 2018
Potchefstroom

Alkem Laboratories (Pty) Ltd

(Registration number 2008/012973/07)

Financial Statements for the year ended 31 March 2018

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Alkem Laboratories (Pty) Ltd for the year ended 31 March 2018.

1. Nature of business

Alkem Laboratories (Pty) Ltd was incorporated in South Africa with interests in the Pharmaceutical industry. The company operates in South Africa.

There have been no material changes to the nature of the company'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 Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

3. Share capital

Authorised Ordinary shares			2018 Number of shares	2017 Number of shares
			100,000	100,000
Issued Ordinary shares	2018 R	2017 R	2018 Number of shares	2017 Number of shares
	14,299,293	14,299,293	49,960	49,960

Refer to note 7 of the financial statements for detail of the movement in authorised and issued share capital.

4. Directorate

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

Directors

S Singh	Executive	Indian
DK Singh	Executive	Indian
IS Viljoen	Non-executive	South African
S Swaminathan	Executive	Indian

There have been no changes to the directorate for the year under review.

5. Events after the reporting period

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

6. Auditors

GNR Registered Auditors continued in office as auditors for the company for 2018.

Alkem Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2018

Statement of Financial Position as at 31 March 2018

	Note(s)	2018 R	2017 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	4,946	7,237
Other financial assets	4	10,990,301	-
		10,995,247	7,237
Current Assets			
Loans to group companies	3	136,447	-
Trade and other receivables	5	1,926,415	357,907
Current tax receivable		119,188	-
Cash and cash equivalents	6	8,129,410	17,826,036
		10,311,460	18,183,943
Total Assets		21,306,707	18,191,180
Equity and Liabilities			
Equity			
Share capital	7	14,299,293	14,299,293
Retained income		1,845,138	449,935
		16,144,431	14,749,228
Liabilities			
Current Liabilities			
Trade and other payables	8	5,069,313	3,266,977
Loans from group companies	3	92,963	-
Current tax payable		-	174,975
		5,162,276	3,441,952
Total Equity and Liabilities		21,306,707	18,191,180

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Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2018 R	2017 R
Revenue	10	37,484,743	22,503,578
Cost of sales		(33,607,130)	(18,827,113)
Gross profit		3,877,613	3,676,465
Other operating income	11	240,579	-
Other operating gains (losses)	12	434,234	831,438
Other operating expenses		(2,803,546)	(1,786,373)
Operating profit (loss)	13	1,748,880	2,721,530
Investment income		190,302	-
Finance costs		(1,400)	-
Profit (loss) before taxation		1,937,782	2,721,530
Taxation	14	(542,579)	(174,975)
Profit (loss) for the year		1,395,203	2,546,555
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		1,395,203	2,546,555

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Statement of Changes in Equity

	Share capital	Retained income	Total equity
	R	R	R
Balance at 01 April 2016	158,900	(2,096,620)	(1,937,720)
Loss for the year	-	2,546,555	2,546,555
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	2,546,555	2,546,555
Issue of shares	14,140,393	-	14,140,393
Total contributions by and distributions to owners of company recognised directly in equity	14,140,393	-	14,140,393
Balance at 01 April 2017	14,299,293	449,935	14,749,228
Profit for the year	-	1,395,203	1,395,203
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,395,203	1,395,203
Balance at 31 March 2018	14,299,293	1,845,138	16,144,431

Note(s)

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Alkem Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2018

Statement of Cash Flows

	Note(s)	2018 R	2017 R
Cash flows from operating activities			
Cash receipts from customers		35,625,556	16,756,001
Cash paid to suppliers and employees		(33,640,557)	(15,814,744)
Cash generated from operations	15	1,984,999	941,257
Interest income		190,302	-
Finance costs		(1,400)	-
Tax paid	16	(836,742)	-
Net cash from operating activities		1,337,159	941,257
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(4,999)
Movement in loans to group companies		(43,484)	52,159
Sale of financial assets		(10,990,301)	-
Net cash from investing activities		(11,033,785)	47,160
Cash flows from financing activities			
Proceeds on share issue	7	-	14,140,393
Total cash movement for the year		(9,696,626)	15,128,810
Cash at the beginning of the year		17,826,036	2,697,226
Total cash at end of the year	6	8,129,410	17,826,036

Alkem Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2018

Accounting Policies

Corporate information

Alkem Laboratories (Pty) Ltd is a private company incorporated and domiciled in South Africa.

The financial statements for the year ended 31 March 2018 were authorised for issue in accordance with a resolution of the directors on 30 April 2018.

1. Significant accounting policies

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

These accounting policies are consistent with the previous period.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Property, plant and equipment

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

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

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

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the company is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Major spare parts and stand by equipment which are expected to be used for more than one year are included in property, plant and equipment.

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Financial Statements for the year ended 31 March 2018

Accounting Policies

1.2 Property, plant and equipment (continued)

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

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

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 years
IT equipment	Straight line	3 years

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

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

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

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Assets which the company holds for rentals to others and subsequently routinely sells as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Financial instruments

Classification

The company classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Alkem Laboratories (Pty) Ltd

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Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Financial instruments (continued)

Initial recognition and measurement

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

The company 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 are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

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Financial Statements for the year ended 31 March 2018

Accounting Policies

1.3 Financial instruments (continued)

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.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

1.4 Tax

Current tax assets and liabilities

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

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

Tax expenses

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

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

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

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

1.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

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

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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Financial Statements for the year ended 31 March 2018

Accounting Policies

1.5 Inventories (continued)

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

1.6 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.7 Share capital and equity

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

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

1.8 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

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Accounting Policies

1.8 Revenue (continued)

- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.10 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

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Notes to the Financial Statements

	2018 R	2017 R
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2. Property, plant and equipment

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	3,747	(1,300)	2,447	3,747	(676)	3,071
IT equipment	14,584	(12,085)	2,499	14,584	(10,418)	4,166
Total	18,331	(13,385)	4,946	18,331	(11,094)	7,237

Reconciliation of property, plant and equipment - 2018

	Opening balance	Depreciation	Total
Furniture and fixtures	3,071	(624)	2,447
IT equipment	4,166	(1,667)	2,499
	7,237	(2,291)	4,946

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	3,695	-	(624)	3,071
IT equipment	-	4,999	(833)	4,166
	3,695	4,999	(1,457)	7,237

3. Loans to (from) group companies

Holding company

Alkem Laboratories India	136,447	-
The loan bears no interest and has no fixed terms of payment.		
Alkem Laboratories India	(92,963)	-
The loan bears no interest and has no fixed terms of payment.		
	43,484	-
Current assets	136,447	-
Current liabilities	(92,963)	-
	43,484	-

4. Other financial assets

Held to maturity

12 Month Fixed deposit	5,493,806	-
The deposit is fixed for 12 months and bears interest at 8.13% p.a		
18 Month Fixed deposit	5,496,495	-
The deposit is fixed for 18 months and bears interest at 8.36% p.a		
	10,990,301	-

Non-current assets

Held to maturity	10,990,301	-
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Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements

	2018 R	2017 R
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4. Other financial assets (continued)

Held to maturity investments past due but not impaired

Held to maturity investments which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R - (2017: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

The company has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2018 and 2017, as all the financial assets were disposed of at their redemption date.

5. Trade and other receivables

Trade receivables	1,870,986	11,799
VAT	55,429	346,108
	1,926,415	357,907

Split between non-current and current portions

Current assets	1,926,415	357,907
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Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. The customers have not defaulted on any payments and therefore the quality is deemed high.

The company has exposure to following customer's, having balance more than 10% of the total receivables:

Customer's Name	2018		2017	
	Amount	%	Amount	%
Pharmachem Pharmeceuticals (Pty) Ltd	1,870,986	100	-	-
Medpro Pharmaceutica (Pty) Ltd	-	-	11,799	100

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2018, R - (2017: R -) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

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Notes to the Financial Statements

	2018 R	2017 R
5. Trade and other receivables (continued)		
Trade and other receivables impaired		
As of 31 March 2018, trade and other receivables of R - (2017: R 224,689) were impaired.		
The amount of the provision was R - as of 31 March 2018 (2017: R -).		
The ageing of these loans is as follows:		
Over 6 months	-	224,689
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	8,129,410	17,826,036
Credit quality of cash at bank and short term deposits, excluding cash on hand		
The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:		
Credit rating		
BBB+	7,166,748	13,362,166
BBB-	962,662	4,463,870
	8,129,410	17,826,036
7. Share capital		
Authorised		
Ordinary Shares	100,000	100,000
Reconciliation of number of shares issued:		
Reported as at 01 April 2017	49,960	15,890
Issue of shares – ordinary shares	-	34,070
	49,960	49,960
Issued		
Ordinary	14,299,293	14,299,293
8. Trade and other payables		
Trade payables	4,538,513	2,991,177
Other accrued expenses	530,800	275,800
	5,069,313	3,266,977
The carrying amounts of trade and other payables are denominated in the following currencies:		
Rand	1,956,143	2,847,061
US Dollar	3,113,167	419,916

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Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements

	2018 R	2017 R
9. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2018		
	Financial liabilities at amortised cost	Total
Trade and other payables	5,069,314	5,069,314
2017		
	Financial liabilities at amortised cost	Total
Trade and other payables	3,266,977	3,266,977
10. Revenue		
Sale of goods	37,484,743	22,503,578
11. Other operating income		
Bad debts recovered	197,095	-
Other recoveries	43,484	-
	240,579	-
12. Other operating gains (losses)		
Foreign exchange gains (losses)		
Net foreign exchange gains	434,234	831,438
13. Operating profit (loss)		
Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration - external		
Audit fees	18,400	11,500
Auditor's remuneration - internal	49,600	70,800
Remuneration, other than to employees		
Consulting and professional services	73,695	63,467
Leases		
Operating lease charges		
Premises	115,979	98,025

Refer to note 17 commitments for additional details of operating leases.

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Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements

	2018 R	2017 R
13. Operating profit (loss) (continued)		
Depreciation and amortisation		
Depreciation of property, plant and equipment	2,291	1,457
Other		
Other operating gains (losses)	12 434,234	831,438
Expenses by nature		
The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:		
Changes in inventories of finished goods and work in progress	33,607,130	18,827,113
Operating lease charges	115,979	98,025
Depreciation, amortisation and impairment	2,291	1,457
Other expenses	2,685,276	1,686,891
	36,410,676	20,613,486
14. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	542,579	174,975
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00 %	28.00 %
Tax loss used	- %	(21.57)%
	28.00 %	6.43 %
15. Cash generated from operations		
(Loss) profit before taxation	1,937,782	2,721,530
Adjustments for:		
Depreciation and amortisation	2,291	1,457
(Gains) losses on foreign exchange	(434,234)	(831,438)
Interest income	(190,302)	-
Finance costs	1,400	-
Changes in working capital:		
Trade and other receivables	(1,568,508)	642,814
Trade and other payables	2,236,570	(1,593,106)
	1,984,999	941,257

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Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements

	2018 R	2017 R
16. Tax paid		
Balance at beginning of the year	(174,975)	-
Current tax for the year recognised in profit or loss	(542,579)	(174,975)
Balance at end of the year	(119,188)	174,975
	(836,742)	-
17. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	123,000	100,416
18. Related parties		
Relationships		
Holding company	Alkem Laboratories Limited	
Related party balances		
Loan accounts - Owing (to) by related parties		
Alkem Laboratories Limited	136,147	-
Alkem Laboratories Limited	(92,663)	-
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Alkem Laboratories Limited	(3,113,167)	(419,916)
Related party transactions		
Purchases from (sales to) related parties		
Alkem Laboratories Limited	12,174,217	7,003,333

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Financial Statements for the year ended 31 March 2018

19. Categories of financial instruments						
Categories of financial instruments - 2018						
Assets	Note(s)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Non-Current Assets						
Property, plant and equipment	2	-	-	-	4,946	4,946
Other financial assets	4	10,990,301	-	-	-	10,990,301
		10,990,301	-	-	4,946	10,995,247
Current Assets						
Loans to group companies	3	136,447	-	-	-	136,447
Trade and other receivables	5	1,870,986	-	-	55,429	1,926,415
Current tax receivable		-	-	-	119,188	119,188
Cash and cash equivalents	6	8,129,410	-	-	-	8,129,410
		10,136,843	-	-	174,617	10,311,460
Total Assets		21,127,144	-	-	179,563	21,306,707
Equity and Liabilities						
Equity						
Equity Attributable to Equity Holders of Parent:						
Share capital	7	-	-	-	14,299,293	14,299,293
Retained income	7	-	-	-	1,845,138	1,845,138
		-	-	-	16,144,431	16,144,431
Total Equity		-	-	-	16,144,431	16,144,431
Liabilities						

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Financial Statements for the year ended 31 March 2018

Notes to the Financial Statements

19. Categories of financial instruments (continued)

	Note(s)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Current Liabilities						
Trade and other payables	8	-	-	5,069,314	-	5,069,314
Loans from group companies	3	-	-	92,963	-	92,963
Total Liabilities		-	-	5,162,277	-	5,162,277
Total Equity and Liabilities		-	-	5,162,277	-	5,162,277
Categories of financial instruments - 2017		-	-	5,162,277	16,144,431	21,306,708

Categories of financial instruments - 2017

Assets						
Non-Current Assets						
Property, plant and equipment	2	-	-	-	7,237	7,237
Current Assets						
Trade and other receivables	5	11,799	-	-	346,108	357,907
Cash and cash equivalents	6	17,826,036	-	-	-	17,826,036
Total Assets		17,837,835	-	-	346,108	18,183,943
Equity and Liabilities		17,837,835	-	-	353,345	18,191,180
Equity						
Equity Attributable to Equity Holders of Parent:						
Share capital	7	-	-	-	14,299,293	14,299,293
Retained income	7	-	-	-	449,935	449,935

Notes to the Financial Statements

19. Categories of financial instruments (continued)

	Note(s)	Debt instruments at amortised cost	Equity instruments at cost less impairment	Financial liabilities at amortised cost	Equity and non financial assets and liabilities	Total
Total Equity		-	-	-	14,749,228	14,749,228
Liabilities						
Current Liabilities						
Trade and other payables	8	-	-	3,266,977	-	3,266,977
Current tax payable		-	-	-	174,975	174,975
Total Liabilities		-	-	3,266,977	174,975	3,441,952
Total Equity and Liabilities		-	-	3,266,977	174,975	3,441,952
		-	-	3,266,977	14,924,203	18,191,180

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Notes to the Financial Statements

	2018 R	2017 R
20. Risk management		
Liquidity risk		
<p>The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.</p> <p>The majority of the Company's Trade receivables are due for maturity within 30 days from the date of billing to the customer. Further, the general credit terms for Trade payables are approximately 30 days. The difference between the above mentioned credit period provides sufficient headroom to meet the short-term working capital needs for day-to-day operations of the Company. Any short-term surplus cash generated, over and above the amount required for working capital management and other operational requirements, are retained as Cash and Investment in short term deposits with banks. The said investments are made in instruments with appropriate maturities and sufficient liquidity.</p>		
Exposure to liquidity risk		
Trade and other payables	2017'R 5,069,314	2016'R 3,266,977
Foreign exchange risk		
<p>The company procures internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.</p> <p>The company does not hedge foreign exchange fluctuations.</p> <p>At 31 March 2018, if the currency had weakened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been R222,528 (2017: R 30,234) lower, mainly as a result of foreign exchange gains or losses on translation of US dollar denominated trade payables.</p>		
Foreign currency exposure at the end of the reporting period		
Non current assets		
Alkem India loan (USD denominated)	43,484	-
Liabilities		
Trade payables (USD denominated)	3,113,167	419,916
Exchange rates used for conversion of foreign items were:		
USD	11.81	12.97

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Detailed Income Statement

	Note(s)	2018 R	2017 R
Revenue			
Sale of goods		37,484,743	22,503,578
Cost of sales			
Purchases		(33,607,130)	(18,827,113)
Gross profit		3,877,613	3,676,465
Other operating income			
Bad debts recovered		197,095	-
Other recoveries		43,484	-
	11	240,579	-
Other operating gains (losses)			
Foreign exchange gains		434,234	831,438
Expenses (Refer to page 28)		(2,803,546)	(1,786,373)
Operating profit (loss)	13	1,748,880	2,721,530
Investment income		190,302	-
Finance costs		(1,400)	-
Profit (loss) before taxation		1,937,782	2,721,530
Taxation	14	(542,579)	(174,975)
Profit (loss) for the year		1,395,203	2,546,555

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Financial Statements for the year ended 31 March 2018

Detailed Income Statement

	Note(s)	2018 R	2017 R
Other operating expenses			
Auditors remuneration - external auditors	13	(18,400)	(11,500)
Auditors remuneration - internal audit	13	(49,600)	(70,800)
Bad debts		-	(242,759)
Bank charges		(9,408)	(6,046)
Computer expenses		-	(2,674)
Consulting and professional fees - accounting		(64,500)	(57,200)
Consulting and professional fees - legal fees		(9,195)	(6,267)
Depreciation		(2,291)	(1,457)
Licencing and Registration fees		(767,548)	(76,400)
Testing		(90,125)	(30,238)
Consulting fees		(1,009,438)	(1,062,715)
New dossiers consultation and preparation		(397,165)	-
Regulatory samples		(158,822)	-
Other MCC fees		(30,900)	-
Lease rentals on operating lease		(115,979)	(98,025)
Municipal expenses		(21,645)	(18,067)
Postage		(13,652)	(16,157)
Printing and stationery		(24,965)	(55,565)
Repairs and maintenance		(4,700)	-
Subscriptions		(5,960)	(26,596)
Telephone and fax		(4,807)	(3,499)
Training		(3,500)	-
Travel - local		(946)	(408)
		(2,803,546)	(1,786,373)