

Report on the financial statements of Ascend Gmbh, Germany (Formerly known as Alkem Pharma Gmbh), a foreign subsidiary of Alkem Laboratories Limited, India required for the purposes of Section 129(3) of the Companies Act, 2013 and its consolidation with the financial statements of the holding company.

Independent Auditor's Report

To,
The Board of Directors,
Alkem Laboratories Limited, India

Report on the Standalone Ind AS Financial Statements:

We have audited the accompanying standalone Ind AS financial statements of **Ascend Gmbh, Germany** (Formerly known as Alkem Pharma Gmbh) ('the Company') which comprise the Balance Sheet as at 31st March, 2019, the statement of Profit & Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements") prepared by its management in its reporting currency in Euro. These financial statements are translated by the management of its holding company M/s Alkem Laboratories Ltd., India in Indian currency (INR) and is also presented in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS, for the purpose of presenting to its shareholders as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for preparation of these Ind AS standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder to the extent applicable.



We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Opinion:

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March, 2019, and its financial performance including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Report on Other Legal and regulatory Requirements:

1. This audit is for the purpose of presenting the standalone Ind AS financial statements in Indian currency (INR) and in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 as per Ind AS, for the purpose of presenting it to the shareholders of the holding company as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India and is not a report under Section 143 of the Companies Act, 2013, and accordingly does not include any statement on the matters specified in and required by Section 143 (11), 143(3)(g) and 143(3)(i) of the Companies Act, 2013 and Rule 11 of the Companies (Audit and Auditors') Rules, 2014 including the Companies (Auditors' Report) Order, 2016;
2. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
3. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
4. The Balance Sheet, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;




5. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013.
6. In our opinion, the standalone Ind AS financial statements dealt with by this report are translated from Euro to Indian Rupees by adopting the applicable rates of foreign currency for the year in accordance with Ind AS-21 prescribed by the Companies (Indian Accounting Standard) Rules, 2015.

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm Registration No. 109094W




R.S.SANGHAI
Partner
Membership No.: 036931

Place: Mumbai

Date: 27th May, 2019

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH), (GERMANY)
FINANCIAL STATEMENTS
BALANCE SHEET AS AT 31ST MARCH, 2019

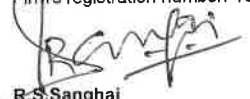
Particulars	Note No.	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
		EURO	Rs.	EURO	Rs.
I. ASSETS					
1 Non-current assets					
(a) Property, plant and equipment	2.1	-	-	-	-
(b) Financial assets					
(i) Loans	2.2	5,355	416,363	-	-
Non-current assets		5,355	416,363	-	-
2 Current assets					
(a) Inventories	2.3	51,333	3,991,246	-	-
(b) Financial assets					
(i) Cash and cash equivalents	2.4	24,801	1,928,366	3,048	243,749
(ii) Loans	2.5	13,376	1,039,978	-	-
(iii) Other current financial assets	2.6	13,500	1,049,655	-	-
(c) Other current assets	2.7	41,548	3,230,482	-	-
Total Current assets		144,558	11,239,727	3,048	243,749
TOTAL ASSETS		149,913	11,656,090	3,048	243,749
II. EQUITY AND LIABILITIES					
1 Equity					
(a) Equity share capital	2.8	25,000	1,708,980	25,000	1,708,980
(b) Other equity (Refer statement of changes in equity)		(657,440)	(50,882,562)	(76,672)	(5,841,208)
Total Equity		(632,440)	(49,173,582)	(51,672)	(4,132,228)
2 Non-current liabilities					
(a) Financial liabilities					
(i) Borrowings	2.9	630,500	49,022,762	40,500	3,238,817
Total non-current liabilities		630,500	49,022,762	40,500	3,238,817
3 Current liabilities					
(a) Financial liabilities					
(i) Trade payables					
total outstanding dues of micro enterprises & small enterprises	2.10	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	2.10	124,719	9,697,171	7,322	585,507
(ii) Other financial liability	2.11	22,748	1,768,708	6,898	551,652
(b) Other current liabilities	2.12	4,386	341,031	-	-
Total current liabilities		151,853	11,806,910	14,220	1,137,159
TOTAL EQUITY AND LIABILITIES		149,913	11,656,090	3,048	243,749

Significant Accounting Policies
Notes to accounts

1B
2


The accompanying notes are an integral part of financial statements.

As per our attached report of even date
For R.S.Sanghai & Associates
Chartered Accountants
Firm's registration number: 109094W


R.S.Sanghai
Partner
Membership number: 036931
Place : Mumbai
Dated : 27th May, 2019



For and on behalf of the Board of Ascend GmbH


Amit Ghare
Director

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH) (GERMANY)
FINANCIAL STATEMENTS
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2019

Particulars	Note No.	For the Year ended 31st March, 2019	For the Year ended 31st March, 2019	For the Year ended 31st March, 2018	For the Year ended 31st March, 2018
		EURO	Rs.	EURO	Rs.
1 Income					
(a) Revenue from Operations		-	-	-	-
(b) Other Income	2.13	663	53,503	-	-
Total Income		663	53,503	-	-
2 Expenses					
(a) Purchases of Stock-in-Trade		51,333	4,143,337	-	-
(b) Changes in inventories of finished goods, Stock-in-trade and work-in-progress	2.14	(51,333)	(4,143,337)	-	-
(c) Employee benefits expenses	2.15	82,365	6,648,129	-	-
(d) Finance Costs	2.16	15,285	1,233,735	9,760	736,522
(e) Depreciation and amortisation expense	2.1	670	54,060	-	-
(f) Other expenses	2.17	483,111	38,994,274	14,771	1,114,772
Total Expenses		581,431	46,930,198	24,531	1,851,294
3 Profit before tax (1) - (2)		(580,768)	(46,876,695)	(24,531)	(1,851,294)
4 Tax expenses		-	-	-	-
5 Profit for the period (3) - (4)		(580,768)	(46,876,695)	(24,531)	(1,851,294)
6 Other Comprehensive Income					
(i) Foreign Currency Translation Difference		-	1,835,341	-	(394,387)
Total of Other Comprehensive Income for the period, net of tax		-	1,835,341	-	(394,387)
7 Total Comprehensive Income for the period (5) + (6)		(580,768)	(45,041,354)	(24,531)	(2,245,681)
8 Basic and diluted earnings per share	2.18	(290,384)	(23,438,348)	(12,266)	(925,647)

Significant Accounting Policies
Notes to accounts

1B
2

The accompanying notes are an Integral part of financial statements.

As per our attached report of even date
For R.S.Sanghai & Associates
Chartered Accountants
Firm's registration number: 109094W

R.S.Sanghai
Partner
Membership number: 036931
Place : Mumbai
Dated : 27th May, 2019



For and on behalf of the Board of Ascend GmbH

Amit Ghare
Director

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH) (GERMANY)
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2019

EURO

(a) Equity share capital	As at 31st March, 2019		As at 31st March, 2018	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	2	25,000	2	25,000
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting period	2	25,000	2	25,000

Rs.

(a) Equity share capital	As at 31st March, 2019		As at 31st March, 2018	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	2	1,708,980	2	1,708,980
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting period	2	1,708,980	2	1,708,980

Other Equity

EURO

Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2017	(52,141)	-	(52,141)
Total Comprehensive income for the year ended 31 March 2018			
Profit for the year	(24,531)	-	(24,531)
Other Comprehensive Income	-	-	-
Balance at 31st March, 2018	(76,672)	-	(76,672)
Total Comprehensive income for the year ended 31 March 2019			
Profit for the year	(580,768)	-	(580,768)
Other Comprehensive Income	-	-	-
Balance at 31st March, 2019	(657,440)	-	(657,440)

Other Equity

Rs.

Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2017	(3,621,432)	25,906	(3,595,526)
Total Comprehensive income for the year ended 31 March 2018			
Profit for the year	(1,851,294)	-	(1,851,294)
Other Comprehensive Income	-	(394,387)	(394,387)
Balance at 31st March, 2018	(5,472,726)	(368,482)	(5,841,207)
Total Comprehensive income for the year ended 31 March 2019			
Profit for the year	(46,876,695)	-	(46,876,695)
Other Comprehensive Income	-	1,835,341	1,835,341
Balance at 31st March, 2019	(52,349,421)	1,466,859	(50,882,562)

The Description of the nature and purpose of each reserve within equity:

Retained Earnings: Retained earnings are the profits that the company has earned till date, less any transfers to general reserve, dividends paid to shareholders.

As per our attached report of even date
For R.S.Sanghai & Associates
Chartered Accountants
Firm's registration number: 109094W

For and on behalf of the Board of Ascend GmbH

R.S.Sanghai
Partner
Membership number: 036931
Place : Mumbai
Dated : 27th May, 2019



[Signature]
Amit Ghare
Director

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH) (GERMANY)
FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2019

Particulars	Year ending 31st March, 2019		Year ending 31st March, 2018	
	EURO	Rs.	EURO	Rs.
A. Cash Flow from Operating activities				
Profit before Tax	(580,768)	(46,876,695)	(24,531)	(1,851,294)
Adjustments for :				
Depreciation	670	54,060	-	-
Interest Expense	15,285	1,233,735	9,760	736,522
Operating Profit before Working Capital Changes	(564,813)	(45,588,901)	(14,771)	(1,114,772)
Adjustments for :				
Increase in Loans and other financial assets	(32,231)	(2,601,490)	-	-
Increase in Inventories	(51,333)	(4,143,337)	-	-
Increase in Other current assets	(41,548)	(3,353,583)	-	-
Increase in Trade Payables	117,397	9,475,737	6,699	505,555
Increase in Other financial liabilities	15,850	1,279,320	2,904	219,153
Increase in Other current liabilities	4,386	354,027	-	-
Cash (used in) / Generated from Operations	(552,292)	(44,578,227)	(5,168)	(390,064)
Net cash (used in) /generated from operating activities	(552,292)	(44,578,227)	(5,168)	(390,064)
B. Cash Flow from Investing activities				
Purchase of Fixed Assets	(670)	(54,060)	-	-
Net cash (used in) /generated from Investing activities	(670)	(54,060)	-	-
C. Cash Flow from Financing activities				
Proceeds from Long Term Borrowings	590,000	47,621,870	8,841	667,170
Interest Expense	(15,285)	(1,233,735)	(9,760)	(736,522)
Net cash (used in) /generated from Financing activities	574,715	46,388,135	(919)	(69,352)
Net Increase/(decrease) in cash and cash equivalents (A + B + C)	21,753	1,755,848	(6,087)	(459,416)
Cash and cash equivalents at the beginning of the year	3,048	243,749	9,135	635,000
Cash and cash equivalents at the end of the year	24,801	1,999,596	3,048	175,584

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	EURO	Rs.	EURO	Rs.
Cash and Bank balances (Refer Note 2.4)	24,801	1,928,366	3,048	243,749
Exchange difference (Unrealised Gain) / Loss	-	71,230	-	(68,165)
Total	24,801	1,999,596	3,048	175,584

2) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) on Cash Flow Statement.

As per our attached report of even date
For **R.S.Sanghai & Associates**
Chartered Accountants
Firm's registration number: 109094W

R.S.Sanghai
Partner
Membership number: 036931
Place : Mumbai
Dated : 27th May, 2019



For and on behalf of the Board of Ascend GmbH

Amit Ghare
Director

1A GENERAL INFORMATION

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd.

1B SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of preparation of Financial Statements:

a) Statement of compliance

The financial statements of the Company as at and for the year ended 31st March, 2019 have been prepared in accordance with Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory Committee on Accounting Standards, under section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the relevant provisions of the Act.

The Financial statement are prepared in INR which is its presentation currency along with EURO which is its functional currency.

b) Basis of preparation and presentation

The preparation of financial statements in accordance with Ind AS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Company presents assets and liabilities in Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in normal operating cycle,
- it is held primarily for the purpose of trading,
- it is due to be settled within twelve months after the reporting period
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.2 Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

(a) Financial Assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The financial assets are classified in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments.

The Company follows trade date accounting for all regular way purchase or sale of financial assets.

(i) Amortised Cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade and other receivables, and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in other income.



(ii) **Fair value through other comprehensive income**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

For equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by- instrument basis. The classification is made on initial recognition and is irrevocable.

(iii) **Financial assets at fair value through profit or loss**

The Company classifies the following financial assets at fair value through profit or loss:

- a) Debt investments that do not qualify for measurement at amortised cost;
- b) Debt investments that do not qualify for measurement at fair value through other comprehensive income; and
- c) Debt investments that have been designated at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, debt securities and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the Balance Sheet at fair value with net changes in fair value presented as finance costs in profit or loss. Interests, dividends and gain/loss on foreign exchange on financial assets at fair value through profit or loss are included separately in other income.

If Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognised in other gain/(losses) in the statement of profit or loss as applicable.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Derecognition of financial assets

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

Impairment of Financial Assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or other financial asset that result from transactions that are within the scope of Ind AS 115

Expected credit losses is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognising allowance for expected credit losses in profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Company uses the practical expedient in Ind AS 109 for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original EIR.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call 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.



ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
NOTE 1B: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

The following table shows various reclassifications and how they are accounted for

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortized cost and fair value is recognised in statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

(b) Financial Liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading. The Company has not designated any financial liabilities upon initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. At initial recognition, the Company measures financial liabilities at its fair value. Financial liabilities at fair value through profit and loss are carried in the Balance Sheet at fair value with changes recognised in the Statement of Profit and Loss.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value, net of transaction cost incurred and are subsequently measured at amortised cost, using the EIR method. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counter party.



1.3 Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. The functional and presentation currency of the Company is Euro.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

1.4 Borrowing Costs:

Borrowing costs are interest and other costs incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the Statement of Profit and Loss of the period in which they are incurred.

1.5 Earnings per share ('EPS')

Basic EPS is computed using the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period except where the results would be anti-dilutive.

1.6 Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 5 to 10 years. Maintenance, repairs, and renewals that neither materially add to the value of the property, nor appreciably prolong its life, are charged to expense as incurred.

Individual assets costing less than Euro 1,000 are depreciated off in the year of purchase.

1.7 Revenue Recognition:

Effective April 1, 2018, the Company has applied Ind AS 115: Revenue from Contracts with Customers which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised. Ind AS 115 replaces Ind AS 18 Revenue. The impact of the adoption of the standard on the financial statements of the Company is insignificant.

a) Revenue from sale of goods is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company assesses promises in the contract that are separate performance obligations to which a portion of transaction price is allocated.

Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, allowances and any taxes or duties collected on behalf of the government such as goods and services tax, etc. Accumulated experience is used to estimate the provision for discounts, probable saleable and non-saleable return of goods from the customers. Revenue is only recognised to the extent that it is highly probable a significant reversal will not occur.

b) Revenue (including in respect of insurance or other claims, etc.) is recognised when it is reasonable to expect that the ultimate collection will be made.

c) Interest income is recognized using the effective interest rate (EIR) method.



2.1 Property, Plant and Equipment

Euro

Particulars	Office Equipments	Total
At Cost		
As at 1 April 2018	-	-
Additions	670	670
Adjustments	-	-
Deletions	-	-
As at 31st March, 2019	670	670
Depreciation and Amortization		
As at 1 April 2018	-	-
Additions	670	670
Adjustments	-	-
Deletions	-	-
As at 31st March, 2019	670	670
Net Book Value		
As at 31st March, 2019	-	-

2.1 Property, Plant and Equipment

Rs.

Particulars	Office Equipments	Total
At Cost		
As at 1st April, 2018	-	-
Additions	54,060	54,060
Adjustments	-	-
Deletions	-	-
Foreign Exchange Differences	(1,985)	(1,985)
As at 31st March, 2019	52,075	52,075
Depreciation and Amortization		
As at 1st April, 2018	-	-
Depreciation/amortization charge for the year	54,060	54,060
Adjustments	-	-
Deductions	-	-
Foreign Exchange Differences	(1,985)	(1,985)
As at 31st March, 2019	52,075	52,075
Net Book Value		
As at 31st March, 2019	-	-



ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	EURO	Rs.	EURO	Rs.
2.2 : NON CURRENT LOANS:				
Considered Good - unsecured				
Security deposits	5,355	416,363	-	-
TOTAL	5,355	416,363	-	-
2.3 : INVENTORIES:				
Stock-in-trade	51,333	3,991,246	-	-
TOTAL	51,333	3,991,246	-	-
2.4 : CASH AND CASH EQUIVALENTS:				
Balance with Banks:				
In Current Accounts	24,801	1,928,366	3,048	243,749
TOTAL	24,801	1,928,366	3,048	243,749
2.5: LOANS:				
Considered Good - unsecured unless otherwise stated				
Loans and Advances to Employees	13,376	1,039,978	-	-
TOTAL	13,376	1,039,978	-	-
2.6 : OTHER CURRENT FINANCIAL ASSETS:				
Other Receivables	13,500	1,049,655	-	-
TOTAL	13,500	1,049,655	-	-
2.7 : OTHER CURRENT ASSETS:				
Balances with Government Authorities	37,249	2,896,207	-	-
Prepaid Expenses	4,299	334,275	-	-
TOTAL	41,548	3,230,482	-	-



ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

Particulars	As at 31st March, 2019 EURO	As at 31st March, 2019 Rs.	As at 31st March, 2018 EURO	As at 31st March, 2018 Rs.
2.8 : EQUITY SHARE CAPITAL:				
<u>Authorised:</u>				
1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-	25,000	1,708,980	25,000	1,708,980
(Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-)	25,000	1,708,980	25,000	1,708,980
ISSUED, SUBSCRIBED & PAID-UP :				
1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-	25,000	1,708,980	25,000	1,708,980
(Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-)	25,000	1,708,980	25,000	1,708,980
TOTAL	25,000	1,708,980	25,000	1,708,980

(a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the period:

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	Number	EURO	Number	EURO
At the commencement of the year	2	25,000	1	25,000
At the end of the year	2	25,000	1	25,000

(b) Details of shareholders holding more than 5% shares in the Company:

Name of the shareholders:	As at 31st March, 2019		As at 31st March, 2018	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
Alkem Laboratories Limited	2	100.00%	1	100.00%

Particulars	As at 31st March, 2019 EURO	As at 31st March, 2019 Rs.	As at 31st March, 2018 EURO	As at 31st March, 2018 Rs.
OTHER EQUITY				
Retained Earnings:				
At the commencement of the period/year	(76,672)	(5,472,726)	(52,141)	(3,621,432)
Add: Profit for the period/year	(580,768)	(46,876,696)	(24,531)	(1,851,294)
At the end of the period/year	(657,440)	(52,349,422)	(76,672)	(5,472,726)
Other Comprehensive Income:				
At the commencement of the period/year	-	(368,482)	-	25,906
Add: Profit for the period/year	-	1,835,341	-	(394,388)
At the end of the period/year	-	1,466,859	-	(368,482)
TOTAL	(657,440)	(50,882,563)	(76,672)	(5,841,208)
2.9 : NON CURRENT BORROWINGS:				
<u>Unsecured:</u>				
Loans and Advances from related parties	630,500	49,022,762	40,500	3,238,817
TOTAL	630,500	49,022,762	40,500	3,238,817
Notes:				
1) Euro 550,000 taken from fellow subsidiary - Ascend Laboratories (UK) Ltd @ 3% p.a. Tenure of Loan - 12 months, renewed automatically unless cancelled by either parties.				
2) Euro 80,500 taken from holding company - Alkem Laboratories Ltd @ 9% p.a. Tenure of Loan - 12 months, renewed automatically unless cancelled by either parties.				
2.10 : TRADE PAYABLES:				
total outstanding dues of micro enterprises & small enterprises	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	124,719	9,697,171	7,322	585,507
TOTAL	124,719	9,697,171	7,322	585,507
2.11 : OTHER FINANCIAL LIABILITIES				
Interest accrued but not due on borrowings	18,851	1,465,707	3,923	313,725
Accrual for Expenses	3,897	303,001	2,975	237,927
TOTAL	22,748	1,768,708	6,898	551,652
2.12 : OTHER CURRENT LIABILITIES:				
Due to statutory authorities*	4,386	341,031	-	-
* Statutory dues payable includes Social security expense payable and wage tax payable	-	-	-	-
TOTAL	4,386	341,031	-	-



ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

Particulars	For the year ended 31st March, 2019 EURO	For the year ended 31st March, 2019 Rs.	For the year ended 31st March, 2018 EURO	For the year ended 31st March, 2018 Rs.
2.13: OTHER INCOME:				
Other Income	663	53,503	-	-
TOTAL	663	53,503	-	-
2.14 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:				
Opening Stock:	-	-	-	-
Stock in trade	-	-	-	-
Less: Closing stock:				
Stock in trade	51,333	3,991,246	-	-
	51,333	3,991,246	-	-
Exchange Rate Difference		(152,091)		-
TOTAL	(51,333)	(4,143,337)	-	-
2.15: EMPLOYEE BENEFITS EXPENSE:				
Salaries, wages and bonus	82,365	6,648,129	-	-
TOTAL	82,365	6,648,129	-	-
2.16: FINANCE COST:				
Interest on borrowings	14,928	1,204,914	9,322	703,495
Other borrowing cost	357	28,821	438	33,027
TOTAL	15,285	1,233,735	9,760	736,522
2.17: OTHER EXPENSES:				
Rent	15,113	1,219,806	-	-
Warehousing expenses	18,252	1,473,249	5,712	431,062
Insurance	2,052	165,666	-	-
Legal and professional Fees	407,184	32,865,855	8,931	673,996
Travelling and conveyance	1,796	144,928	-	-
License, registration & technology fees	37,992	3,066,553	-	-
Miscellaneous expenses	721	58,218	129	9,714
TOTAL	483,110	38,994,275	14,772	1,114,772



ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

2.18 Earnings per share (EPS)

EURO

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	EURO	A	(580,768)	(24,531)
Weighted average number of equity shares outstanding during the year	Nos.	B	2	2
Basic and diluted earnings per equity share (Euro)	EURO	(A / B)	(290,384)	(12,266)

Rs.

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(46,876,695)	(1,851,294)
Weighted average number of equity shares outstanding during the year	Nos.	B	2	2
Basic and diluted earnings per equity share (Rs)	Rs.	(A / B)	(23,438,348)	(925,647)

2.19 Average exchange rate as on 31st March 2019 considered for the purpose of translation as referred in note no. 1.3 is **Rs. 80.715/Euro** (Rs.75.466/1Euro)

Closing exchange rate as on 31st March 2019 considered for the purpose of translation as referred in note no. 1.3 is **Rs. 77.752/Euro** (Rs.79.970/1Euro)



2.20 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) for the year ended 31st March 2019

List of related parties and their relationship

A Company whose control exists

Name of the Company	Country of Incorporation
Alkem Laboratories Limited	India

B Fellow Subsidiaries

Name of the Company	Country of Incorporation
Cachet Pharmaceuticals Pvt. Ltd.	India
Indchemie Health Specialities Pvt. Ltd.	India
Enzene Biosciences Ltd.	India
Alkem Foundation	India
The Pharamanetwork, LLC (wholly owned subsidiary of S & B holdings B.V.)	United States of America
Ascend Laboratories, LLC (wholly owned by The Pharma Network, LLP)	United States of America
S & B Pharma Inc.	United States of America
Ascend Laboratories (UK) Ltd.	United Kingdom
S & B Holdings B.V.	Netherlands
Alkem Laboratories (PTY) Limited	South Africa
Ascend Laboratories Ltd.	Canada
The Pharma Network, LLP	Kazakhstan
Ascends Laboratories SpA	Chile
Pharma Network SpA (Wholly owned by Ascend Laboratories SpA)	Chile
Alkem Laboratories Corporation	Philippines
Pharmacor Pty Limited	Australia
Ascends Laboratories SDN BHD.	Malaysia
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
Alkem Laboratories (NIG) Limited (Liquidated on 6th May 2018)	Nigeria

C Key Managerial Personnel ("KMP")

Name of the KMP	Country of Incorporation
Mr. Amit Ghare	Director

Details of Transactions with Related Parties

Sr. No.	Particulars	EURO	Rs.
1	Loans taken - Holding Company	40,000 (5,000)	3,228,601 (377,330)
2	Loans taken - Fellow subsidiary	550,000 -	44,393,268 -
3	Interest expense on loans taken - Holding Company	5,811 (9,322)	469,035 (703,495)
4	Interest expense on loans taken - Fellow subsidiary	9,117 -	735,879 -
5	Purchase of stock in trade - Fellow subsidiary	51,333 -	4,143,337 -
6	Reimbursement of expenses from Holding Company	13,500 -	1,089,653 -

Balance due from / to the related Parties

Sr. No.	Particulars	EURO	Rs.
1	Borrowings - Holding Company	80,500 (40,500)	6,259,052 3,238,817
2	Borrowings - Fellow subsidiary	550,000 -	42,763,710 -
3	Trade payables	51,333 -	3,991,246 -
4	Other receivables	13,500 -	1,049,655 -
5	Interest accrued on loan - Holding Company	9,734 (3,923)	1,465,707 (313,725)
6	Interest accrued on loan - Fellow subsidiary	9,117 -	708,867 -

* All the related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

* Figures in the brackets are the corresponding figures of the previous year.



2.21 Financial instrument fair values and risk management

A. Accounting classification and fair values

Particulars	Carrying amount as at 31st March, 2019							
	Euro				Rs.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	24,801	24,801	-	-	1,928,366	1,928,366
Loans (current and non current)	-	-	18,731	18,731	-	-	1,456,341	1,456,341
Other Current financial asset	-	-	13,500	13,500	-	-	1,049,655	1,049,655
	-	-	57,032	57,032	-	-	4,434,362	4,434,362
Financial liabilities								
Long term borrowings (Including current maturity of Long term)	-	-	630,500	630,500	-	-	49,022,762	49,022,762
Trade and other payables	-	-	147,467	147,467	-	-	11,465,879	11,465,879
	-	-	777,967	777,967	-	-	60,488,641	60,488,641

Particulars	Carrying amount as at 31st March, 2018							
	Euro				Rs.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	3,048	3,048	-	-	243,749	243,749
	-	-	3,048	3,048	-	-	243,749	243,749
Financial liabilities								
Long term borrowings (Including current maturity of Long term borrowings)	-	-	40,500	40,500	-	-	3,238,817	3,238,817
Trade and other payables	-	-	14,220	14,220	-	-	1,137,159	1,137,159
	-	-	54,720	54,720	-	-	4,375,977	4,375,977

The Company has no exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ;
- Market risk

i. Risk management framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.



2.21 Financial Instruments - Fair Value and Risk Management**ii. Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

		Contractual cash flows					
31st March, 2019	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
EURO							
Non-derivative financial liabilities							
Borrowings	630,500	630,500	-	-	630,500	-	-
Trade and other payables	147,467	147,467	-	-	147,467	-	-
Rs.							
Non-derivative financial liabilities							
Borrowings	49,022,762	49,022,762	-	-	49,022,762	-	-
Trade and other payables	11,465,879	11,465,879	-	-	11,465,879	-	-

		Contractual cash flows					
31st March, 2018	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
EURO							
Non-derivative financial liabilities							
Borrowings	40,500	40,500	-	-	40,500	-	-
Trade and other payables	14,220	14,220	-	-	14,220	-	-
Rs.							
Non-derivative financial liabilities							
Borrowings	3,238,817	3,238,817	-	-	3,238,817	-	-
Trade and other payables	1,137,159	1,137,159	-	-	1,137,159	-	-

iii. Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – which will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. The exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency.

Currency risk

The Company is exposed to currency risk on account of its trade payables in foreign currency. The functional currency of the Company is EURO. The Company has exposure to GBP (Trade payables GBP 44,028, 2018 - Nil). The Company has not hedged this foreign currency exposure.

The following significant exchange rates have been applied during the year.

Currency	Year end spot rate	
	31st March 2019	31st March 2018
GBP	1.1608	-

Currency	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
10% movement in GBP	(5,959)	5,959	(5,959)	5,959

Interest rate risk

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

The Company is not exposed to interest rate risk as the borrowing is at fixed interest rate



2.22 Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Company monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Company's adjusted net debt to equity ratio at March 31, 2019 was as follows.

Particulars	As at 31st March, 2019		As at 31st March, 2018	
	EURO	Rs.	EURO	Rs.
Total borrowing	630,500	49,022,762	40,500	3,238,817
Less : Cash and cash equivalent	(24,801)	(1,928,366)	(3,048)	(243,749)
Adjusted net debt	605,699	47,094,396	37,452	2,995,069
Total equity	(632,440)	(49,173,582)	(51,672)	(4,132,228)
Less : Hedging reserve	-	-	-	-
Adjusted equity	(632,440)	(49,173,582)	(51,672)	(4,132,228)
Adjusted net debt to adjusted equity ratio	(0.96)	(0.96)	(0.72)	(0.72)

2.23 Recent accounting pronouncements

Ministry of Corporate Affairs ("MCA") through Companies (Indian Accounting Standards) Amendment Rules, 2018 has notified the following new and amendments to Ind ASs which the Company has not applied as they are effective for annual periods beginning on or after 1 April 2019:

Ind AS 116, Leases

The Company is required to adopt Ind AS 116, Leases from 1 April 2019. The Company has assessed the estimated impact that initial application of Ind AS 116 will have on its standalone financial statements, as described below:

Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. It replaces existing leases guidance, Ind AS 17, Leases.

The Company will recognise new assets and liabilities for its operating leases of offices, warehouse and factory facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

No significant impact is expected for the Company's finance leases.

Based on the information currently available, the Company estimates that it will recognise additional lease liabilities of EURO 37,884 equivalent to Rs. 2,945,542 as at 1 April 2019.

The Company plans to apply Ind AS 116 initially on 1 April 2019, using the modified retrospective approach. Therefore, the Company records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

The Company has elected certain available practical expedients on transition.

In addition to the above, the following amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's standalone financial statements:

- Amendments to Ind AS 103, Business Combinations, and Ind AS 111, Joint Arrangements: This interpretation clarifies how an entity accounts for increasing its interest in a joint operation that meets the definition of a business.

- Amendments to Ind AS 109, Financial Instruments: amendments relating to the classification of particular pre payable financial assets

- Amendments to Ind AS 12, Income Taxes, clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity. Further Appendix C, uncertainty over income tax treatments has been added to clarify how entities should reflect uncertainties over income tax treatments, in particular when assessing the outcome a tax authority might reach with full knowledge and information if it were to make an examination.

- Amendment to Ind AS 19, Employee Benefits - The amendment to Ind AS 19 clarifies that on amendment, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions – i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement. This amendment also clarifies that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. The entity then determines the effect of the asset ceiling after plan amendment, curtailment or settlement. Any change in that effect is recognized in other comprehensive income (except for amounts included in net interest)

- Amendments to Ind AS 23, Borrowing Costs, clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction.

As per our attached report of even date

For R.S.Sanghal & Associates
Chartered Accountants
Firm's registration number: 109094W

R.S.Sanghal
Partner
Membership number: 036931
Place : Mumbai
Dated : 27th May, 2019



For and on behalf of the Board of Ascend GmbH

Amit Ghare
Director