



Grant Thornton

Ascend Laboratories SpA

Consolidated Financial Statements and Independent Auditor's Report
as of March 31, 2019 and 2018

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Board of Directors and Shareholders of:
Ascend Laboratories SpA and Subsidiary

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Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ascend Laboratories SpA and Subsidiary, which comprise the consolidated statements of financial position as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs). This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audits in accordance with Chile generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ascend Laboratories SpA and Subsidiary as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

Other Matters

The subsidiary Pharma Network SpA was constituted under public deed dated 27th March, 2018 and during the period between said date and March 31, 2018, there were no transactions made by or to the subsidiary.

Santiago, Chile
May 10, 2019



Jaime Goñi Garrido
Audit Partner

Consolidated statements of financial position

As of March 31,

(In thousands of Chilean pesos - Th\$)

	Note N°	2019 Th\$	2018 Th\$
Assets			
Current assets:			
Cash and cash equivalents	5	608,417	1,047,331
Trade debtors and other accounts receivables	6	5,479,118	3,457,499
Inventories	8	7,211,690	3,382,829
Current tax assets	9a	1,364,059	478,659
Total current assets		14,663,284	8,366,318
Non-current assets:			
Other non financial assets, non-current		-	2,000
Bank guarantees receivables, non-current	10	164,265	1,008,460
Other intangible assets - Net	11	19,548	11,207
Property, plant and equipment - Net	12	41,583	41,794
Deferred tax assets	13b	60,951	3,466
Total non-current assets		286,347	1,066,927
Total assets		14,949,631	9,433,245

Consolidated statements of financial position

As of March 31,

(In thousands of Chilean pesos - Th\$)

	Note N°	2019 Th\$	2018 Th\$
Liabilities and equity			
Current liabilities:			
Other financial liabilities	14	1,117,557	530,000
Commercial accounts payable and other accounts payable	15	927,082	805,010
Accounts payable to related entities	7a	9,449,976	4,252,281
Provision for employee benefits	16	9,849	11,907
Income tax payable	9b	10,265	157,169
Total liabilities, current		11,514,729	5,756,367
Equity:			
Capital stock	17	2,914,178	2,914,178
Retained earnings (losses)		520,724	765,399
Other reserves		-	(2,699)
Equity attributable to owners of the parent		3,434,902	3,676,878
Non-controlling interests		-	-
Total net equity		3,434,902	3,676,878
Total liabilities and equity		14,949,631	9,433,245

The accompanying notes N° 1 to 26 are an integral part of these financial statements.

Consolidated statements of comprehensive income by function

For the periods ended March 31,

(In thousands of Chilean pesos - Th\$)

	Note N°	2019 Th\$	2018 Th\$
Statement of Income			
Revenues	18	10,439,454	7,099,947
Cost of sales	19a	(7,404,752)	(5,261,084)
Gross margin		3,034,702	1,838,863
Administrative expenses	19b	(2,367,181)	(1,326,318)
Other expenses		-	(72,195)
Other gains (losses)	21	(186,504)	130,202
Finance expenses	20	(85,915)	(222,388)
Exchange rate		(697,273)	(67,804)
Income from adjustment units		10,277	-
Profit (loss) before tax		(291,894)	280,360
Profit (loss) for income tax	13a	47,219	(183,452)
Profit (loss) for the period		(244,675)	96,908
Profit (loss) attributable to owners of the parent		(244,675)	96,908
Profit (loss) attributable to non-controlling interests		-	-
Profit (loss) for the period		(244,675)	96,908

The accompanying notes N° 1 to 26 are an integral part of these financial statements.

Consolidated statements of changes in equity

For the periods ended as of March 31, 2019 and 2018

	Paid capital Th\$	Additional paid-in capital Th\$	Retained earnings Th\$	Other reserves Th\$	Equity attributable to owners of the parent Th\$	Non controlling interests Th\$	Total equity, net Th\$
Beginning balance 04.01.2018	2,914,178	-	765,399	(2,699)	3,676,878	-	3,676,878
Comprehensive income:							
Profit for the year	-	-	(244,675)	-	(244,675)	-	(244,675)
Comprehensive income	-	-	(244,675)	-	(244,675)	-	(244,675)
Capital increase	-	-	-	-	-	-	-
Other Adjustments	-	-	-	2,699	2,699	-	2,699
Ending Balance 03.31.2019	2,914,178	-	520,724	-	3,434,902	-	3,434,902

	Paid capital Th\$	Additional paid-in capital Th\$	Retained earnings Th\$	Other reserves Th\$	Equity attributable to owners of the parent Th\$	Non controlling interests Th\$	Total equity, net Th\$
Beginning balance 04.01.2017	1,400,000	(61,856)	668,491	-	2,006,635	-	2,006,635
Comprehensive income:							
Profit for the year	-	-	96,908	-	96,908	-	96,908
Comprehensive income	-	-	96,908	-	96,908	-	96,908
Capital increase	1,514,178	61,856	-	(2,699)	1,573,335	-	1,573,335
Ending Balance 03.31.2018	2,914,178	-	765,399	(2,699)	3,676,878	-	3,676,878

Consolidated statements of cash flows, Indirect method
As of March 31,
(In thousands of Chilean pesos - Th\$)

	2019 Th\$	2018 Th\$
Cash flows from operating activities		
Profit (loss) for the year	(244,675)	96,908
(Credit) debit for non-cash items:		
Depreciation and amortization	12,570	59,041
Income from adjustment units	(10,277)	-
Decrease (increase) of assets:		
Trade debtors and other accounts receivables	(2,021,619)	(903,989)
Inventories	(3,828,861)	(1,927,310)
Current tax assets	(885,400)	(248,023)
Other non financial assets, non-current	2,000	-
Bank guarantees receivables, non-current	844,195	125,772
Other intangible assets - Net	(8,341)	(10,276)
Increase (decrease) of liabilities:		
Other financial liabilities	587,557	(808,000)
Commercial accounts payable and other accounts payable	122,072	512,024
Accounts payable to related entities	5,197,695	1,238,559
Provision for employee benefits	(2,058)	2,141
Income tax payable	(146,904)	202,541
Other adjustments	(32,219)	(179,362)
Net cash flow from operating activities	(414,265)	(1,839,974)
Cash flows from financing activities		
Proceeds from issue of capital stock	-	1,573,335
Positive net flow originated by financing activities	-	1,573,335
Cash flows from investing activities		
Payments for software	(11,896)	-
Payments for property, plant and equipment	(12,753)	(24,026)
Net cash flow from investing activities	(24,649)	(24,026)
Net increase (decrease) of cash and cash equivalents	(438,914)	(290,665)
Beginning balance of cash and cash equivalents	1,047,331	1,337,996
Ending balance of cash and cash equivalents	608,417	1,047,331

The accompanying notes N° 1 to 26 are an integral part of these financial statements.

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Notes to the consolidated financial statements

As of March 31, 2019 and 2018

(In thousands of Chilean pesos - Th\$)

1 General information

Ascend Laboratories SpA (hereinafter “the Company”), was incorporated as a joint stock company under public deed dated July 19, 2011. The purpose of the company is: provide services involving the application, processing, obtaining and maintaining health records, on their own behalf or on behalf of Alkem Laboratories Limited (Parent Company), with the Chilean Institute Public Health and before all kinds of public bodies, such as the Metropolitan Health Service and / or any dependent agencies of the Chilean Ministry of Health, and the transfer or assignment any title of such health records.

On September 11, 2013 amendment of bylaws was made to expand its corporate purpose by adding to it the activities for the development, manufacture, storage, importation, marketing, distribution and export of pharmaceuticals, cosmetics and veterinary, and / or representation in the aforementioned areas.

Pharma Network SpA was constituted as a joint stock company under public deed dated 27th March, 2018.

The structure of the Company as of March 31, 2019 is as follows:

Shareholder	Number of Shares	Participation
		%
Alkem Laboratories Ltd.	5,427	100.00
Total	5,427	100.00

The Company's address is located in Apoquindo 4700, 17th floor, Las Condes, Santiago, Chile.

2 Significant accounting policies

Significant accounting policies adopted in preparing these consolidated financial statements are described below.

As required by the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), these accounting policies have been designed according to International Financial Reporting Standards for SMEs (IFRS for SMEs) in force at December 31, 2016.

2.1 Basis of preparation

The accompanying consolidated financial statements for the year ended March 31, 2019 and 2018 have been prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) issued by the International Accounting Standards Board (IASB).

In preparing these consolidated financial statements management has used its best understanding of IFRS for SMEs, their interpretation and the facts and circumstances that are in effect on the date of its preparation, which represents the first explicit comprehensive adoption and unrestricted the aforementioned international standards.

The preparation of these consolidated financial statements in accordance with IFRS for SMEs requires the use of certain estimates and accounting criteria. It also requires management to exercise its judgment in the process of applying accounting policies. In Note on Responsibility for information and estimates and accounting criteria areas involving a higher degree of judgment or complexity, or areas where estimates are significant to the disclosed accounts are revealed.

The general criteria used for the accounting valuation of its assets and liabilities is cost, except for certain financial assets that are carried at fair value.

2.2 Basis of presentation

The accompanying consolidated financial statements are presented in thousands of Chilean pesos, as this is the presentation currency of the Company.

In the consolidated statement of financial position, assets and liabilities are classified according to their maturities between current, those with maturity not exceeding twelve months and non-current, those whose maturity exceeds twelve months.

In turn, in the consolidated statement of comprehensive income and changes in equity expenditures classified by function are presented, identifying depreciation and personnel expenses based on their nature and the cash flow statement is presented using the indirect method.

The consolidated statement of financial position as of March 31, 2019 are presented comparatively with the consolidated financial statements as of March 31, 2018.

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Chile.

2.2.1 Responsibility for the information and estimates made

The information contained in the accompanying consolidated financial statements is the responsibility of the Company's Management, which expressly states that they are aware of the information contained in the accompanying consolidated financial statements and accepts responsibility for the information included herein, as well as the application of the principles and criteria included in the International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

In preparing the accompanying consolidated financial statements certain estimates by the Company's Management have been used in order to account for some of the assets, liabilities, revenue, expenses, and commitments recorded herein. Such estimates are based on Management's best knowledge and understanding of the reported amounts, events, or action.

2.3 Functional and presentation currency

The functional currency of the Company has been defined as the currency of the primary economic environment in which the entity operates. All transactions which are not in the functional currency are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies have been translated at the closing rates of exchange. Foreign exchange gains or losses are included in the net profit and loss account for the year under the line item 'Exchange rate differences'.

The Company's functional currency is the Chilean Peso. Items within the consolidated statement of comprehensive income for entities that have a functional currency other than the Chilean Peso are translated at average rates of exchange. Items within the consolidated statement of financial position are translated at the closing rates of exchange.

2.4 Basis of translation

The assets and liabilities in Chilean pesos and Unidades de Fomento (UF) are translated using the exchange rate at the date of the consolidated financial statements according to the following table:

	03.31.2019 \$	Monthly Average	03.31.2018 \$	Monthly Average
U.S. Dollar	678.53	657.49	605.26	634.64
Unidad de fomento (UF) (1)	27,565.76	27,333.30	26,966.89	26,696.89

- (1) Unidades de fomento are adjustment units, which are translated into Chilean pesos. Exchange rate changes are recorded in the statement of Comprehensive Income under the heading Adjustments.

2.5 Revenue recognition

Revenue from the sales of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

2.6 Finance costs

All finance costs are recognized in profit or loss for the period in which they are incurred.

2.7 Income tax and deferred taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The Company determines the tax base and calculates its income tax every year in accordance with the laws in force.

On September 29, 2014, Law N° 20.780, "Tax Reform to modify the Income Tax system and to introduce various adjustments to the tax system," was published in the Official Gazette.

Among the main changes introduced, this particular law adds a new, semi-integrated taxation system, which can be used alternatively in relation to the integrated regime of attributed income. Taxpayers are free to choose either in order to pay their taxes.

In the case of Ascend Laboratories SpA, as a general rule prescribed by law, the semi-integrated system is applied, even though a future Shareholders' Meeting could choose the attributed income system. The semi-integrated system establishes the progressive increase of the first-category tax rate for the business years 2014, 2015, 2016, 2017, 2018 and 2019, to 21%, 22,5%, 24%, 25,5%, 27% and 27%, respectively.

Deferred tax: is recognized in interim differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the related tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable interim differences. Deferred tax assets are generally recognized for all deductible interim differences to the extent that it is probable that taxable profits will be available against which such deductible interim differences can be utilized. Such deferred tax assets and liabilities are not recognized if the interim difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the interim difference arises from the initial recognition of goodwill.

2.8 Property, Plant and Equipment

Items of property, plant and equipment are measured at cost, except for costs periodically maintained, less accumulated depreciation and any accumulated impairment losses. The cost of items of property, plant and equipment includes not only its original purchase price, but also any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Depreciation is recognized so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The main items of property, plant, and equipment and their respective useful lives are presented below:

Class	Financial Useful Life Years
Furniture and office equipment	10
Computer equipment	3 - 6
Vehicles	8

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2.9 Intangible assets

Intangible assets with finite useful lives that are carried at cost minus the accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2.10 Impairment of tangible and intangible assets

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher one between fair value minus the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average cost basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.12 Trade creditors

Commercial creditors are regular credit obligations which have no interests. The amounts from commercial creditors denominated in foreign currency are converted into the Entity's functional currency by using the exchange rate valid on the reporting date. Profits or losses due to change in foreign currency are included in Differences of Exchange Rate."

2.13 Bank overdrafts and loans

Interest expenses are recognized on the basis of the effective interest method and are included in financial costs. The amount owed to banks and other financial institutions are presented under other liabilities as current or non-current due.

2.14 Provisions for employee benefits

The expense for employee vacations is recognized by the accrual method. This benefit applies to all staff and is a fixed amount depending on the particular contracts for each worker. This benefit is recorded at face value.

2.15 Dividend Distribution Policy

The distribution of dividends to shareholders is recognized as a liability in the period in which the dividends are approved by shareholders or when the corresponding obligation is set according to or laws in force distribution policies established by the Shareholders' Meeting.

The dividend policy of the Company is to distribute the mandatory minimum of 30% according to Law 18.046, in the case that would distributable profits.

2.16 Capital Stock

The capital is represented by registered shares, all in a single series and without nominal value.

2.17 Statement of Cash flows

The Company has the cash flow statement under the indirect method.

3 Financial risk management

Financial risks arising from Company's activities are credit risk, liquidity risk and market risk. These risks arise during the normal course of the Company's activities and management handles the exposure to such risks in accordance with the latest policies, mission and vision of the Company.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

b) 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.

The majority of the Company's Trade receivables are due for maturity within 60 -120 days from the date of billing to the customer. Further, the general credit terms for Trade payables are approximately 120 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.

- **Exposure to liquidity risk**

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimates interest payment and exclude the impact of netting agreements.

		Contractual cash flows						
		Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
31st March, 2019								
\$								
Non-derivative financial liabilities								
Trade and other payables	10,377,058,170	10,377,058,170	3,115,713,491	7,261,344,679	-	-	-	-
Other financial liability	1,117,557,549	1,117,557,549	1,117,557,549	-	-	-	-	-
31st March, 2018								
\$								
Non-derivative financial liabilities								
Term loans from banks	530,000,000	530,000,000	530,000,000	-	-	-	-	-
Loans from Related Party	3,826,862	3,826,862	-	-	-	-	-	3,826,862
Trade and other payables	4,466,463,925	4,466,463,925	-	4,466,463,925	-	-	-	-
Other financial liability	123,480,956	123,480,956	123,480,956	-	-	-	-	-

c) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices - 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. We are exposed to market risk primarily related to foreign exchange rate risk. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

- Currency risk

The Company is exposed to currency risk on account of its loans and accounts payables in foreign currency. The functional currency of the Company is Chilean peso. The Company has exposure to USD. The Company has not hedged this foreign currency exposure.

The currency profile of financial liabilities as at March 31, 2019 and March 31, 2018 are as below:

	March, 31 2019 Th \$
Financial liabilities	
Accounts payable to related parties	9,449,976
Accounts payable to foreign suppliers	478,036
	<u>9,928,012</u>
	March, 31 2018 Th\$
Financial liabilities	
Accounts payable to related parties	4,252,281
	<u>4,252,281</u>

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Chilean pesos (Local currency) against various foreign currencies at March 31 would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in Chilean pesos	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
March 31, 2019				
10% movement				
Th \$	(992,801)	992,801	(724,745)	724,745
	<u>(992,801)</u>	<u>992,801</u>	<u>(724,745)</u>	<u>724,745</u>
March 31, 2018				
10% movement				
Th \$	(425,228)	425,228	(310,416)	310,416
	<u>(425,228)</u>	<u>425,228</u>	<u>(310,416)</u>	<u>310,416</u>

4 Disclosures of the judgments that management had pronounced when applying the entity's accounting policies

In applying the Company's accounting policies described in Note 2, Management makes estimates and judgments relating to the future of book value of assets and liabilities. The estimates and judgments associated are based on historical experience and other factors deemed relevant. The current results could differ from such estimates.

Management necessarily makes judgments and estimates which have a significant effect on the figures presented in the consolidated financial statements. Changes in assumptions and estimates could have a significant impact on the consolidated financial statements. Estimates and critical judgments used by Management are detailed as follows:

a) Useful life of property, plant, and equipment

The Company determines the estimated useful life and the related charges for depreciation of its fixed assets. Such estimate is based on the life cycles of its operations according to the historic experience and the industry's environment.

b) Useful life of intangible assets

Intangible assets are presented at acquisition cost less accumulated depreciation. Depreciation is calculated using the straight-line method considering the estimated these assets, about 2 to 6 years life.

5 Cash and cash equivalents

Cash and cash equivalents corresponds to the cash balances held in cash and bank current accounts, time deposits and other liquid investments maturing within less than 90 days.

The composition of cash and cash equivalents at the dates indicated is as follows:

	2019	2018
	Th\$	Th\$
Cash	184	192
Balance at Banco Itaú CLP	150,724	81,656
Balance at Banco Chile CLP	450,664	297,293
Balance at Banco Chile USD	1,304	668,190
Balance at HSBC USD	5,541	-
Total	608,417	1,047,331

6 Trade debtors and other accounts receivables

a) The composition of trade debtors and other accounts receivables at the dates indicated is as follows:

	2019	2018
	Th\$	Th\$
Bills receivable	5,361,191	3,230,592
Notes receivable	1,178	169,639
Funds to pay	200	824
Current account customs agent	17,692	36,102
Advances to suppliers	80,465	11,176
Accounts receivable from employees	18,392	9,166
Total	5,479,118	3,457,499

- b) At March 31, 2019 and 2018, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

	2019 Th\$	2018 Th\$
Chile	5,361,191	3,230,592
Other regions	-	-
Total	5,361,191	3,230,592

At March 31, 2019 and 2018, the Company had exposure to only one type of counter party.

At March 31, 2019 and 2018, the Company had a significant customer. Farmacias Ahumada SA balance was 13% and 20% of the total receivables, respectively.

- c) Impairment:

At March 31, 2019 and 2018, the ageing of trade receivables that were not impaired was as follows:

	2019 Th\$	2018 Th\$
Neither past due nor impaired	2,690,584	1,745,296
Past due 1–180 days	2,069,946	973,311
Past due more than 180 days	600,661	511,985
Total	5,361,191	3,230,592

Management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behavior and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available. Therefore, the Company has not recognized an allowance for doubtful debts.

7 Balances and transactions with related parties

a) Accounts payable to related entities

Company	Concept	Currency	Relationship	2019 Th\$	2018 Th\$
The Pharma Network, LLC	Interest payable	Pesos	Common controller	-	3,827
Alkem Laboratories Ltd.	Current account	Pesos	Shareholder	9,449,976	4,248,454
Total				9,449,976	4,252,281

b) Transactions with related parties

The transactions and their effect on results are as follows:

Relationship	Concept	Transaction amount 2019 Th\$	Effect on results 2018 Th\$
Shareholder	Purchases	8,689,972	(8,689,972)
Shareholder	Corporate Guarantee Commission - Ascend Laboratories	18,855	18,855
Ultimate Holding Company	Corporate Guarantee Commission - Pharma Network	2,159	2,159

Relationship	Concept	Transaction amount 2018 Th\$	Effect on results 2018 Th\$
Shareholder	Purchases	5,634,079	(5,634,079)
Shareholder	Reimbursement of SBLC charges	64,034	64,034
Shareholder	Interest	37,031	(37,031)

c) Board of Directors and Management

The Company is represented by the shareholder Alkem Laboratories Ltd. For this purpose Alkem Laboratories Ltd., may appoint one or more agents by deed, who may act according to the powers to be granted.

d) Remuneration of Senior Management

	2019 Th\$	2018 Th\$
Ashish Mallela	45,500	41,320
Rahul Bhat	104,777	106,682
Total	150,277	148,002

8 Inventories

The composition of inventories is as follows:

	2019	2018
	Th\$	Th\$
Finished goods	7,342,530	3,382,829
Provision for obsolete stock	(130,840)	-
Total	7,211,690	3,382,829

The cost of inventories recognized as an expense during the year in respect of continuing operations was as follows:

	2019	2018
	Th\$	Th\$
Inventories recognized as an expense	6,969,593	4,950,799
Total	6,969,593	4,950,799

9 Current tax assets and liabilities

a) The detail of current tax assets is as follows:

	2019	2018
	Th\$	Th\$
VAT Credit	943,896	256,161
Monthly provisional payment	398,019	200,354
Recoverable taxes	22,144	22,144
Total	1,364,059	478,659

b) The detail of current tax liabilities is as follows:

	2019	2018
	Th\$	Th\$
Income tax payable	10,265	157,169
Total	10,265	157,169

10 Bank guarantees receivables, non-current

The account balance as of March 31, 2019 and 2018 is Th\$ 164,265 and Th\$ 1,008,460, respectively, which corresponds to the guarantees that are required for the Company to participate in the various bidding processes with institutions of Public Health of Chile to which provides it serves.

11 Other intangible assets

The composition of other intangible assets is as follows:

	2019	2018
	Th\$	Th\$
Software, net	19,548	11,207
Total	19,548	11,207

12 Property, plant and equipment

The composition of the account is as follows:

a) As of march 31, 2019:

Class of Property, plant and equipment	Cost Th\$	Accumulated depreciation Th\$	Net value Th\$
Instalations - Facilities	14,041	(2,730)	11,311
Furniture and office equipment	6,617	(3,519)	3,098
Computer equipment	22,093	(5,736)	16,357
Vehicles	13,835	(7,066)	6,769
Other fixed assets	10,410	(6,362)	4,048
Totals	66,996	(25,413)	41,583

b) As of march 31, 2018:

Class of Property, plant and equipment	Cost Th\$	Accumulated depreciation Th\$	Net value Th\$
Work in progress	14,041	-	14,041
Furniture and office equipment	6,359	(1,563)	4,796
Computer equipment	10,548	(3,246)	7,302
Vehicles	13,835	(5,698)	8,137
Other fixed assets	10,410	(2,892)	7,518
Totals	55,193	(13,399)	41,794

c) The movement for the periods in property, plant and equipment is as follows:

Movement 2019	Work in progress	Instalations - Facilities	Furniture and office equipment	Computer equipment	Vehicles	Other	Totals
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Balance as of April 1, 2018	14,041	-	4,796	7,302	8,137	7,518	41,794
Reclassifications	(14,041)	14,041	-	-	-	-	-
Additions	-	-	300	12,453	-	-	12,753
Other movements	-	-	(40)	(920)	1	565	(394)
Depreciation expense	-	(2,730)	(1,958)	(2,478)	(1,369)	(4,035)	(12,570)
Balance as of March 31, 2019	-	11,311	3,098	16,357	6,769	4,048	41,583

Movement 2018	Work in progress	Instalations - Facilities	Furniture and office equipment	Computer equipment	Vehicles	Other	Totals
	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$	Th\$
Balance as of April 1, 2017	-	-	1,008	3,647	9,385	-	14,040
Additions	14,041	-	5,042	4,968	-	10,307	34,358
Other movements	-	-	68	57	126	(478)	(227)
Depreciation expense	-	-	(1,322)	(1,370)	(1,374)	(2,311)	(6,377)
Balance as of March 31, 2018	14,041	-	4,796	7,302	8,137	7,518	41,794

13 Income tax and deferred taxes

a) Profit (loss) for Income tax recognized in comprehensive income

	2019	2018
	Th\$	Th\$
Current tax	(10,265)	(182,507)
Deferred tax	57,484	(945)
Total	47,219	(183,452)

The reconciliation of the legal rate of income tax and the effective rate expressed as a percentage of profit before tax is:

	2019	2018
	%	%
Tax rate	27	27
Effect of expenses that are not deductible in determining taxable profit	-	8.76
Effect of insufficiency in the provision of previous years	-	-
Others	(13.61)	29.67
Effective tax rate	13.39	65.43

b) Deferred tax assets and liabilities in each year are as follows:

Temporary differences	Assets	
	2019	2018
	Th\$	Th\$
Provision for vacation	2,659	3,215
Provision for rebates	6,571	-
Provision for publicity	5,402	-
Provision for obsolete stock	35,327	-
Tax loss carry forward	6,603	-
Property, plant and equipment	-	251
Other	5,676	-
Total	62,238	3,466

Temporary differences	Liabilities	
	2019	2018
	Th\$	Th\$
Property, plant and equipment	(1,287)	-
Total	(1,287)	-
Net deferred tax	60,951	3,466

14 Other financial liabilities, current

The composition of other financial liabilities is as follows:

	2019	2018
	Th\$	Th\$
Bank overdraft facilities	1,117,557	530,000
Total	1,117,557	530,000

The facilities are lent by HSBC Bank Chile and are comprised by a Fund Based facility (overdraft/working capital credits), which amounts Th\$1,487,000 as of March 31, 2019. The purpose of this facility is Working Capital which is provided as a Corporate Guarantee from Alkem Laboratories India. The interest rate is 5.7% p.a.

15 Commercial accounts payable and other accounts payable

The composition of commercial accounts payable and other accounts payable:

	2019	2018
	Th\$	Th\$
Trade payables	745,369	588,376
Advances received from customers	15,408	14,112
Monthly provisional payment payable	-	19,125
Withholding taxes	15,783	8,824
Fees payable	1,198	768
Accounts payable to employees	-	331
Provision expenses	50,056	115,818
Other accounts payable	99,268	57,656
Total	927,082	805,010

Management performs an analysis of the expected cash flows and made in order to have the degree of liquidity necessary for the fulfillment of obligations. The average term of payment of trade payables is 120 days.

16 Provision for employee benefits

Provisions determined for each of the periods are as follows:

	2019	2018
	Th\$	Th\$
Provision for vacation	9,849	11,907
Total	9,849	11,907

17 Stockholders' equity

a) The shareholding structure during the periods ended 2019 and 2018 is as follows:

Stockholder	2019		2018	
	Shares	Participation %	Shares	Participation %
Alkem Laboratories Ltda.	5,427	100,00	5,427	100,00
Total	5,427	100,00	5,427	100,00

Pursuant to ruling by the Extraordinary Shareholders' Meeting of February 25, 2016 it was agreed to increase the share capital of Th\$ 1,000 divided into 1,000 registered shares, all in a single series and without nominal value, to the sum of Th\$ 1,037, divided into 1,000 registered shares, all in a single series and without nominal value. The capital increase of Th\$ 37 corresponds to the capitalization of revaluation of equity.

In addition, it was agreed to increase the share capital of Th\$ 1,037 to the sum of Th\$ 1,400,000 divided into 1,400,000 registered shares, all in a single series and without nominal value. The capital increase of Th\$ 1,398,963, learns by issuing 1,399,000 new shares for payment, with similar characteristics to existing, at an approximate value of \$ 999.97 per share payment, representing the sum Th\$ 1,398,963, which are fully subscribed by Alkem Laboratories Ltd., the sole shareholder of the Company, and will be paid in cash within five years from the date of the Extraordinary Shareholders' Meeting.

At an Extraordinary Shareholders' Meeting held on September 7, 2016, it was agreed to reduce the number of shares issued by the Company at the Shareholders' Meeting of February 25, 2016, which represent 100% of the equity capital increase, from 1,399,000 registered shares, all of the same series with no par value, to 2,513 shares with the same characteristics.

In order to reduce the 1,399,000 shares issued through the capital increase above to the 2,153 to be issued, Company shareholder, as per the approved modifications, will receive 2,153 new shares in exchange for the current 1,399,000 shares.

As a consequence of the agreements reached, the company capital amounts to Th\$1,400,000, split into 3,153 registered shares, all of the same series with no par value, which is to be subscribed, completed and paid as follows:

- i. Through the Company's seed capital of Th\$1,000, split into 1,000 registered shares, all of the same series with no par value, which have been fully subscribed and paid for.
- ii. Through Th\$37, which correspond to the capitalization of the revaluation of paid-in capital related to the 2015-period.
- iii. Through Th\$ 1,398,963 for 2,153 registered shares, all of the same series with no par value, which represent the capital increase agreed at the Extraordinary Shareholders' Meeting of February 25, 2016, which is to be paid in cash within a period of five years as of the date of the Shareholders' meeting mentioned above.

At an Extraordinary Shareholders' Meeting held on June 2nd, 2017, it was agreed to increase the share capital of Th\$ 1,400,000 to the sum of Th\$ 2,914,178 divided into 5,427 registered shares, all in a single series and without nominal value. The capital increase of Th\$ 1,514,178, learns by issuing 2,274 new shares for payment, with similar characteristics to existing, at an approximate value of Th\$ 669 per share payment, representing the sum Th\$ 1,514,178, which are fully subscribed and paid by Alkem Laboratories Ltd., the sole shareholder of the Company, through the capitalization of the credit which the shareholder owns against the Company.

b) The Company has made no dividend payments.

18 Revenues

a) Revenues at March 31, 2019 and 2018 are as follows:

	2019	2018
	Th\$	Th\$
Revenues from sales	10,439,454	7,099,947
Totals	10,439,454	7,099,947

b) The Company is in the pharmaceutical business. As the Company has a single reportable segment. Wise disclosures are as under:

- Revenues from external customers attributed to the country of domicile and attributed to all foreign countries from which the company derives revenues:

	2019	2018
	Th\$	Th\$
Revenue from the Country of Domicile - Chile	10,439,454	7,099,947
Revenue from foreign countries	-	-
Totals	10,439,454	7,099,947

- The Company did not have any external revenue from a particular customer or particular product which exceeded 10% of total revenue.

19 Cost of sales and Administration expenses

a) Cost of sales, at March 31, 2019 and 2018, consist of the following:

	2019	2018
	Th\$	Th\$
Sales cost	6,969,593	4,950,799
Pharmaceutical records	251,018	118,696
Freights	113,353	71,361
Brand registrations	29,210	-
Import costs	41,578	120,228
Totals	7,404,752	5,261,084

b) Administration expenses, at March 31, 2019 and 2018, consist of the following:

	2019	2018
	Th\$	M\$
Remunerations	714,339	438,097
Vacations	21,563	8,717
Personal expenses	73,146	41,887
Logistics operator costs	503,311	200,136
Expenses for external services	93,488	213,757
Promotional activities	55,339	131,849
Leases	63,539	58,167
Technical advisories	33,182	31,699
Travel expenses	44,123	27,460
Office expenses	60,831	33,909
Subscriptions and publications	316	214
Commercial expenses	-	13,414
Representation expenses	6,014	9,251
Messaging	2,612	3,135
General expenses	28,196	14,547
Amortization	3,556	931
Depreciation	12,570	6,377
Legal expenses	45,781	10,935
Maintenances	3,362	7,073
Insurance expenses	21,345	7,930
Fees and services of others	41,288	6,301
Non-deductible expenses	31,313	8,226
Directory fees	45,500	41,320
Obsolete Stock	130,840	-
Quality Control	331,627	-
Impairment of doubtful debtors	-	10,986
Totals	2,367,181	1,326,318

20 Finance expenses

The composition of financial expenses for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
	Th\$	Th\$
Other bank interests	85,915	185,357
Interest paid related parties	-	37,031
Total	85,915	222,388

21 Other gains (losses)

The detail of other gains (losses) for the years ended March 31, 2019 and 2018 is as follows:

	2019	2018
	Th\$	Th\$
Supplier adjustment	-	84,363
Fines paid	(190,588)	(80,373)
Other income by collaboration agreement (1)	-	126,212
Other incomes	4,084	-
Totals	(186,504)	130,202

- (1) Corresponds to "Collaboration Agreement" signed between Alkem Laboratories Limited and Productos Farmacéuticos Medipharm Ltda. Alkem will sell the products to Medipharm at "floor price", which generates subsequent liquidation of the profits (profit margin), which will be transferred to Ascend Laboratories SpA or Alkem Laboratories Limited.

22 Contingencies, legal proceedings and restrictions

The Company has filed a litigation against TIF & Logistic Services Ltd, which up to the date of the accompanying financial statements is still in process.

As of March 31, 2019 there are no other contingencies to report.

23 Pledges from third parties

As of March 31, 2019 there are no pledges obtained from third parties to report.

24 Environment

The Company has not made disbursements for environmental activities.

25 Subsequent events

In the period between April 1st, 2019 and the date of the issue of these consolidated financial statements, no other significant events affecting these consolidated financial statements have occurred.

26 Authorization to issue the consolidated financial statements

The consolidated financial statements were authorized for issue on May 10, 2019 by the Administration of the Company; consequently they do not reflect events after this date.