



Report on the financial statements of Pharmacor Limited, Kenya, 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 **Pharmacor Limited, Kenya** ('the Company') which comprise the Balance Sheet as at 31<sup>st</sup> 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 Kenyan Shilling. 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 31<sup>st</sup> 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 Kenyan Shilling 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



A handwritten signature in black ink, appearing to read "R.S. SANGHAI".

**R.S.SANGHAI**

Partner

Membership No.: 036931

Place: Mumbai

Date: 27<sup>th</sup> May, 2019

**PHARMACOR LIMITED, (KENYA)**  
**FINANCIAL STATEMENTS**  
**BALANCE SHEET AS AT 31ST MARCH, 2019**

Particulars	Note	As at	As at	As at	As at
		31st March, 2019	31st March, 2019	31st March, 2018	31st March, 2018
		KES	Rs.	KES	Rs.
<b>I. ASSETS</b>					
<b>1 Non-current assets</b>					
(a) Property, plant and equipment	3.1	20,100	13,729	-	-
(b) Financial Assets					
(i) Others	3.2	576,300	393,636	-	-
<b>Total Non-current assets</b>		596,400	407,365	-	-
<b>2 Current assets</b>					
(a) Inventories	3.3	19,501,219	13,320,113	-	-
(b) Financial Assets					
(i) Cash and cash equivalents	3.4	7,259,307	4,958,397	67,891	43,312
(ii) Other current financial assets	3.5	73,532	50,226	-	-
(c) Other current assets	3.6	228,689	156,202	-	-
<b>Total Current assets</b>		27,062,747	18,484,938	67,891	43,312
<b>TOTAL ASSETS</b>		27,659,147	18,892,303	67,891	43,312
<b>II. EQUITY AND LIABILITIES</b>					
<b>1 Equity</b>					
(a) Equity Share Capital	3.7	100,000	65,892	100,000	65,892
(b) Other Equity (Refer statement of changes in equity)		(3,503,119)	(2,390,359)	(32,111)	(22,580)
<b>Total Equity</b>		(3,403,119)	(2,324,467)	67,891	43,312
<b>2 Non-Current Liabilities</b>					
(a) Financial Liabilities					
(i) Borrowings	3.8	11,139,920	7,609,011	-	-
<b>Total Non current liabilities</b>		11,139,920	7,609,011	-	-
<b>3 Current liabilities</b>					
(a) Financial Liabilities					
(i) Trade payables					
total outstanding dues of micro enterprises & small enterprises	3.9	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	3.9	19,493,954	13,315,150	-	-
(ii) Other financial liability	3.10	348,991	238,374	-	-
(b) Other current liabilities	3.11	79,401	54,235	-	-
<b>Total Current liabilities</b>		19,922,346	13,607,759	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		27,659,147	18,892,303	67,891	43,312

Significant Accounting Policies

1A & 2

Notes to the financial statement

3

The accompanying notes are an integral parts 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 Pharmacor Limited

**P.V. Damodaran**  
Director

**PHARMACOR LIMITED, (KENYA)**

**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
		KES	Rs.	KES	Rs.
<b>1 Income</b>					
(a) Revenue from Operations		-	-	-	-
(b) Other Income	3.12	63,390	43,381	-	-
<b>Total Income</b>		63,390	43,381	-	-
<b>2 Expenses</b>					
(a) Purchases of Stock-in-Trade		19,501,219	13,345,749	-	-
(b) Changes in inventories of finished goods, Stock-in-trade and work-in-progress	3.13	(19,501,219)	(13,345,749)	-	-
(c) Finance Costs	3.14	426,603	291,947	5,280	3,252
(d) Depreciation and amortisation expense	3.1	590	404	-	-
(e) Other expenses	3.15	3,107,206	2,126,431	-	-
<b>Total Expenses</b>		3,534,399	2,418,782	5,280	3,252
<b>3 Profit before tax (1) - (2)</b>		(3,471,009)	(2,375,401)	(5,280)	(3,252)
<b>4 Tax expenses</b>		-	-	-	-
<b>5 Profit for the period (3) - (4)</b>		(3,471,009)	(2,375,401)	(5,280)	(3,252)
<b>6 Other Comprehensive Income</b>					
(a) Items that will be reclassified to profit or loss					
(i) Foreign Currency Translation Difference		-	7,622	-	1,407
<b>Total of Other Comprehensive Income for the period, net of tax</b>		-	7,622	-	1,407
<b>7 Total Comprehensive Income for the period (5) + (6)</b>		(3,471,009)	(2,367,779)	(5,280)	(1,845)
<b>8 Basic and diluted earnings per share</b>	3.16	(3,471)	(2,375)	(5)	(3)

Significant Accounting Policies

1A & 2

Notes to the financial statement

3

The accompanying notes are an integral parts 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 Pharmacor Limited

*[Signature]*

**P.V. Damodaran**

Director

**PHARMACOR LIMITED, (KENYA)**  
**FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2019**

KES

(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	1,000	100,000	1,000	100,000
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting period	1,000	100,000	1,000	100,000
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	1,000	65,892	1,000	65,892
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting period	1,000	65,892	1,000	65,892

**Other Equity**

KES

Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2017	(26,830)	-	(26,830)
<b>Total Comprehensive income for the year ended 31st March, 2018</b>			
Profit for the year	(5,280)	-	(5,280)
Other Comprehensive Income	-	-	-
<b>Balance at 31st March, 2018</b>	<b>(32,110)</b>	<b>-</b>	<b>(32,110)</b>
<b>Total Comprehensive income for the year ended 31st March, 2019</b>			
Profit for the year ended 31st March, 2019	(3,471,009)	-	(3,471,009)
Other Comprehensive Income	-	-	-
<b>Balance at 31st March, 2019</b>	<b>(3,503,118)</b>	<b>-</b>	<b>(3,503,118)</b>

**Other Equity**

Rs.

Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2017	(17,066)	(3,669)	(20,735)
<b>Total Comprehensive income for the year ended 31st March, 2018</b>			
Profit for the year	(3,252)	-	(3,252)
Other Comprehensive Income	-	1,407	1,407
<b>Balance at 31st March, 2018</b>	<b>(20,318)</b>	<b>(2,262)</b>	<b>(22,580)</b>
<b>Total Comprehensive income for the year ended 31st March, 2019</b>			
Profit for the year	(2,375,401)	-	(2,375,401)
Other Comprehensive Income	-	7,622	7,622
<b>Balance at 31st March, 2019</b>	<b>(2,395,719)</b>	<b>5,360</b>	<b>(2,390,359)</b>

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

**R.S.Sanghai**

Partner

Membership Number: 036931

Place : Mumbai

Dated : 27th May, 2019



For and on behalf of the Board of Pharmacor Limited

*P.V. Damodaran*

**P.V. Damodaran**  
Director

**PHARMACOR LIMITED, (KENYA)**  
**FINANCIAL STATEMENTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2019**

Particulars	Year ending 31st March, 2019		Year ending 31st March, 2018	
	KES	Rs.	KES	Rs.
<b>A. Cash Flow from Operating activities</b>				
Profit before Tax	(3,471,009)	(2,375,401)	(5,280)	(3,252)
Adjustments for :				
Depreciation	590	404	-	-
Finance expenses	426,603	291,947	5,280	3,252
Operating Profit before Working Capital Changes	(3,043,816)	(2,083,050)	-	-
Adjustments for :				
Increase in Inventories	(19,501,219)	(13,320,113)	-	-
Increase in Other financial assets	(73,532)	(50,226)	-	-
Increase in Other current assets	(804,989)	(549,840)	-	-
Increase in Trade Payables	19,493,954	13,315,150	-	-
Increase in Other Current Liabilities	79,401	54,234	-	-
Cash (used in) / Generated from Operations before tax	(3,850,201)	(2,633,845)	-	-
Less: Tax Paid	-	-	-	-
Cash (used in) / Generated from Operations	(3,850,201)	(2,633,845)	-	-
<b>Net cash (used in) /generated from operating activities</b>	(3,850,201)	(2,633,845)	-	-
<b>B. Cash Flow from Investing activities</b>				
Purchase of Fixed Assets	(20,690)	(14,159)	-	-
<b>Net cash (used in) /generated from Investing activities</b>	(20,690)	(14,159)	-	-
<b>C. Cash Flow from Financing activities</b>				
Proceeds from Long Term Borrowings	11,139,920	7,623,655	-	-
Finance cost paid	(77,612)	(53,114)	(5,280)	(3,252)
<b>Net cash (used in) /generated from Financing activities</b>	11,062,308	7,570,541	(5,280)	(3,252)
<b>Net Increase/(decrease) in cash and cash equivalents (A + B + C)</b>	7,191,417	4,922,537	(5,280)	(3,252)
Cash and cash equivalents at the beginning of the year	67,891	43,312	73,171	45,157
Cash and cash equivalents at the end of the year	7,259,307	4,965,849	67,891	41,905
Notes :				
1) Cash and Cash Equivalents include :				
Particulars	As at 31st March, 2019		As at 31st March, 2018	
	KES	Rs.	KES	Rs.
Cash and Bank balances (Refer Note 3.4)	7,259,307	4,958,397	67,891	43,312
Exchange difference (Unrealised (Gain) / Loss)	-	7,452	-	(1,407)
Total	7,259,307	4,965,849	67,891	41,905

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 Pharmacor Limited**

**P. V. Damodaran**

Director



**1 GENERAL INFORMATION**

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd. The Company was incorporated on 15th May, 2012 in Kenya under the Corporations Act. Its core business is to sale and distribution of pharmaceutical products throughout Kenya and to provide marketing services. The Company is a wholly-owned subsidiary of Alkem Laboratories Ltd.

**1A 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 KES 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 judgment in the process of applying the Company's accounting policies. 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:

- a) Expected to be realised or intended to be sold or consumed in normal operating cycle,
- b) Held primarily for the purpose of trading,
- c) Expected to be realised within twelve months after the reporting period, or
- d) 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:

- a) it is expected to be settled in normal operating cycle,
- b) it is held primarily for the purpose of trading,
- c) it is due to be settled within twelve months after the reporting period
- d) 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 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.

**1.3 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.

**1.4 Foreign currencies Transactions & Translation****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 currency of the Company is Kenyan Shilling (KES).

**ii. Foreign Operations:**

The assets and liabilities of foreign operations, and fair value adjustments arising on acquisition, are translated into Indian Rupees at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into Rs. at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

**1.5 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.

**1.6 Trade and other receivables:**

Trade and other receivables include amounts due from customers for goods sold in the ordinary course of business. Receivables which are expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivable are classified as non-current assets.

**1.7 Trade and other payable:-**

Trade and other payable include amounts due for goods and services received by the entity at the end of the reporting period.





**1.8 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:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b) 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 instrument. 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:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
- b) 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.

If the Company decides to classify an equity instrument as at FVTOCI, then all fair value changes on the instrument, excluding dividends, are recognized in the OCI. There is no recycling of the amounts from OCI to profit and loss, even on sale of investment. However, the group may transfer the cumulative gain or loss within equity.

**(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:

- Financial assets that are debt instruments and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- 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, with original maturities of three months or less.

**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 group's operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group 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 group 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 amortised 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.

**1.9 Equity instruments**

Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

**1.10 Inventories:**

Inventories are measured at the lower of cost and net realizable value. Costs are assigned on a weighted average cost basis.



**Note 2 : Critical accounting judgements and key sources of estimation uncertainty**

The Company prepares its financial statements in accordance with Ind AS as issued by the MCA, the application of which often requires judgments to be made by management when formulating the Company's financial position and results. The Directors are required to adopt those accounting policies most appropriate to the Company's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Company should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Company's disclosure of significant accounting policies which are provided in note 3 to the consolidated financial statements, 'Significant accounting policies'.

**a. Estimate of current and deferred tax**

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits/losses and/or cash flows.

The complexity of the Company's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Company operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the Consolidated Statement of Profit and Loss and tax payments.

**b. Recognition of deferred tax assets**

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

**c. Estimation of useful life**

The useful life used to amortise or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Profit and Loss.

The useful lives and residual values of Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

**d. Provisions and contingent liabilities**

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

**e. Fair value measurements and valuation processes**

Some of the Company's assets and liabilities are measured at fair value for the financial reporting purposes. Central corporate treasury team works with various banks for determining appropriate fair value of derivative assets and liabilities. Central treasury team reports to the Chief Financial Officer. In estimating the fair value of derivative assets and liabilities, the Company uses market-observable data to the extent it is available.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note



PHARMACOR LIMITED

NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

3.1 Property, Plant and Equipment, Other Intangible Assets and Capital Work In Progress

KES

Particulars	Office equipment	Total
As at 1 April 2018	-	-
Additions	20,690	20,690
Deletions	-	-
As at 31st March, 2019	20,690	20,690
Depreciation and Amortisation		
As at 1 April 2018	-	-
Depreciation/amortisation charge for the year	590	590
Deductions	-	-
As at 31 March 2019	590	590
Net Book Value		
As at 31 March 2019	20,100	20,100

Rs.

Particulars	Office equipment	Total
As at 1 April 2018	-	-
Additions	14,159	14,159
Deletions	-	-
Foreign Exchange Differences	(27)	(27)
As at 31 March 2019	14,132	14,132
Depreciation and Amortisation		
As at 1 April 2018	-	-
Depreciation/amortisation charge for the year	404	404
Deductions	-	-
Foreign Exchange Differences	(1)	(1)
As at 31 March 2019	403	403
Net Book Value		
As at 31 March 2019	13,729	13,729



Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	KES	Rs.	KES	Rs.
<b>3.2 : OTHER NON-CURRENT FINANCIAL ASSETS:</b>				
Security Deposits	576,300	393,636	-	-
<b>TOTAL</b>	<b>576,300</b>	<b>393,636</b>	<b>-</b>	<b>-</b>
<b>3.3 : INVENTORIES:</b>				
Stock-in-trade	19,501,219	13,320,113	-	-
<b>TOTAL</b>	<b>19,501,219</b>	<b>13,320,113</b>	<b>-</b>	<b>-</b>
<b>3.4 : CASH AND CASH EQUIVALENT:</b>				
Balance with Banks:				
In Current Accounts	7,259,307	4,958,397	67,891	43,312
<b>TOTAL</b>	<b>7,259,307</b>	<b>4,958,397</b>	<b>67,891</b>	<b>43,312</b>
<b>3.5 : OTHER CURRENT FINANCIAL ASSETS:</b>				
Other receivables	73,532	50,226	-	-
<b>TOTAL</b>	<b>73,532</b>	<b>50,226</b>	<b>-</b>	<b>-</b>
<b>3.6 : OTHER CURRENT ASSETS:</b>				
Balances with Government Authorities	228,689	156,202	-	-
<b>TOTAL</b>	<b>228,689</b>	<b>156,202</b>	<b>-</b>	<b>-</b>



PHARMACOR LIMITED

NOTE 3: 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
	KES	Rs.	KES	Rs.
<b>3.7 : EQUITY SHARE CAPITAL:</b>				
<b>Authorised:</b>				
1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	100,000	65,892	100,000	65,892
	100,000	65,892	100,000	65,892
<b>Issued, subscribed &amp; paid-up :</b>				
1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	100,000	65,892	100,000	65,892
<b>TOTAL</b>	<b>100,000</b>	<b>65,892</b>	<b>100,000</b>	<b>65,892</b>

(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	KES	Number	KES
At the commencement of the year	1,000	100,000	1,000	100,000
At the end of the year	1,000	100,000	1,000	100,000

(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	1,000	100.00%	1,000	100.00%

Particulars	As at 31st March, 2019	As at 31st March, 2019	As at 31st March, 2018	As at 31st March, 2018
	KES	Rs.	KES	Rs.
<b>OTHER EQUITY</b>				
<b>Retained Earnings:</b>				
At the commencement of the period/year	(32,110)	(20,318)	(26,830)	(17,066)
Add: Profit for the period/year	(3,471,009)	(2,375,401)	(5,280)	(3,252)
	(3,503,119)	(2,395,719)	(32,110)	(20,318)
<b>Other Comprehensive Income:</b>				
At the commencement of the period/year	-	(2,262)	-	(3,669)
Add: Profit for the period/year	-	7,622	-	1,407
At the end of the period/year	-	5,360	-	(2,262)
<b>TOTAL</b>	<b>(3,503,119)</b>	<b>(2,390,359)</b>	<b>(32,110)</b>	<b>(22,580)</b>
<b>3.8 : NON CURRENT BORROWINGS:</b>				
<b>Unsecured:</b>				
Loans and Advances from related parties	11,139,920	7,609,011	-	-
<b>TOTAL</b>	<b>11,139,920</b>	<b>7,609,011</b>	<b>-</b>	<b>-</b>
Notes:				
1. USD 110,000 loan taken on 26.09.18 @ 101.272 KES				
2. Rate of Interest @ 6% p.a.				
3. Tenure of Loan - 12 months, renewed automatically unless cancelled by either parties.				
<b>3.9 : TRADE PAYABLES:</b>				
total outstanding dues of micro enterprises & small enterprises	-	-	-	-
total outstanding dues of creditors other than micro enterprises & small enterprises	19,493,954	13,315,150	-	-
<b>TOTAL</b>	<b>19,493,954</b>	<b>13,315,150</b>	<b>-</b>	<b>-</b>
<b>3.10 : OTHER CURRENT FINANCIAL LIABILITIES</b>				
Interest accrued but not due on borrowings	348,991	238,374	-	-
<b>TOTAL</b>	<b>348,991</b>	<b>238,374</b>	<b>-</b>	<b>-</b>
<b>3.11 : OTHER CURRENT LIABILITIES:</b>				
Due to statutory authorities*	79,401	54,235	-	-
* Statutory dues payable includes VAT Payable and Withholding Tax.				
<b>TOTAL</b>	<b>79,401</b>	<b>54,235</b>	<b>-</b>	<b>-</b>





Particulars	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
	KES	Rs.	KES	Rs.
<b>3.12: OTHER INCOME:</b>				
Rental income	63,390	43,381	-	-
<b>TOTAL</b>	<b>63,390</b>	<b>43,381</b>	<b>-</b>	<b>-</b>
<b>3.13 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:</b>				
Opening Stock:	-	-	-	-
Stock-in-trade	-	-	-	-
Less: Closing stock:	-	-	-	-
Stock-in-trade	19,501,219	13,320,113	-	-
	19,501,219	13,320,113	-	-
Exchange Rate Difference	-	(25,636)	-	-
<b>TOTAL</b>	<b>(19,501,219)</b>	<b>(13,345,749)</b>	<b>-</b>	<b>-</b>
<b>3.14 : FINANCE COST:</b>				
Interest on borrowings	410,750	281,098	-	-
Other borrowing cost	15,853	10,849	5,280	3,252
<b>TOTAL</b>	<b>426,603</b>	<b>291,947</b>	<b>5,280</b>	<b>3,252</b>
<b>3.15 : OTHER EXPENSES:</b>				
Rent	1,159,218	793,316	-	-
Rates and taxes	730,000	499,579	-	-
Legal and professional Fees	339,310	232,209	-	-
License, registration & technology fees	737,243	504,536	-	-
Applicable net gain/loss on foreign currency transactions and translation	141,435	96,792	-	-
<b>TOTAL</b>	<b>3,107,206</b>	<b>2,126,432</b>	<b>-</b>	<b>-</b>



PHARMACOR LIMITED

NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

KES

3.16 Earnings per share (EPS)

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	KES	A	(3,471,009)	(5,280)
Weighted average number of equity shares outstanding during the year	Nos.	B	1,000	1,000
Basic and diluted earnings per equity share (Rs) - Face value of Rs.100 per share	KES	(A / B)	(3,471)	(5)

Rs.

Particulars			Year ended 31st March, 2019	Year ended 31st March, 2018
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(2,375,401)	(3,252)
Weighted average number of equity shares outstanding during the year	Nos.	B	1000	1000
Basic and diluted earnings per equity share (Rs) - Face value of Rs.100 per share	Rs.	(A / B)	(2,375)	(3)

3.17 Average exchange rate as on 31st March, 2019 considered for the purpose of translation as referred in note no 1.4 is **Rs. 0.6844/1KES** (Rs. 0.6159/1KES).

Closing exchange rate as on 31st March, 2019 considered for the purpose of translation is as referred in note no. 1.4 is **Rs. 0.6830/1KES** (Rs. 0.6380/1KES).



PHARMACOR LIMITED

NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019

3.18 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures 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 Companies	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
Ascend GmbH (formerly known as Alkem Pharma GmbH)	Germany
Ascends Laboratories SDN BHD.	Malaysia
Alkem Laboratories Korea Inc	Korea
Pharmacor Pty Limited	Australia
Alkem Laboratories (NIG) Limited (Liquidated on 6th May 2018)	Nigeria

C Key Managerial Personnel ("KMP")

Name of the KMP	Designation
Mr. P. V. Damodaran	Director
Mr. B. P. Singh	Director
Mr. Nikhilesh Srivastava	Director

Details of Transactions with Related Parties

Sr. No.	Particulars	KES	Rs.
1	Loans taken - Fellow subsidiary	11,139,920	7,609,011
2	Interest expense on loans taken - Fellow subsidiary	410,750	281,098
3	Purchase of stock in trade - Holding Company	18,763,808	12,841,098
4	Rental income from Holding Company	63,390	43,381

Balance due from / to the related Parties

Sr. No.	Particulars	KES	Rs.
1	Borrowings - Fellow subsidiary	11,139,920	7,609,011
2	Trade payables - Holding Company	18,763,808	12,816,431
3	Other receivables - Holding Company	63,390	43,298
4	Interest accrued on loan - Fellow subsidiary	410,750	280,558

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



## 3.19 Financial Instrument fair values and risk management

## A. Accounting classification and fair values

Particulars	Carrying amount as at 31st March 2019							
	KES				RS.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
<b>Financial assets</b>								
Cash and cash equivalents	-	-	7,259,307	7,259,307	-	-	4,958,397	4,958,397
Other Non-current financial asset	-	-	576,300	576,300	-	-	393,636	393,636
Other current financial asset	-	-	73,532	73,532	-	-	50,226	50,226
	-	-	7,909,139	7,909,139	-	-	5,402,259	5,402,259
<b>Financial liabilities</b>								
Non-current borrowings	-	-	11,139,920	11,139,920	-	-	7,609,011	7,609,011
Trade payables	-	-	19,493,954	19,493,954	-	-	13,315,150	13,315,150
Other financial liabilities	-	-	348,991	348,991	-	-	238,374	238,374
	-	-	30,982,865	30,982,865	-	-	21,162,535	21,162,535
<b>Carrying amount as at 31st March 2018</b>								
Particulars	KES				RS.			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
<b>Financial assets</b>								
Cash and cash equivalents	-	-	67,891	67,891	-	-	43,312	43,312
	-	-	67,891	67,891	-	-	43,312	43,312
<b>Financial liabilities</b>								
	-	-	-	-	-	-	-	-

The Company has exposure no 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.

## 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.



## 3.19 Financial Instruments - Fair Value and Risk Management (continued)

## Exposure to liquidity risk

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

The following are the remaining contractual maturities of financial liabilities at the reporting date:							
31st March, 2019	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
KES							
Non-derivative financial liabilities							
Non-current borrowings	11,139,920	11,139,920	-	-	11,139,920	-	-
Trade and other payables	19,842,945	19,842,945	-	19,842,945	-	-	-
Rs.							
Non-derivative financial liabilities							
Non-current borrowings	7,609,011	7,609,011	-	-	7,609,011	-	-
Trade and other payables	13,553,525	13,553,525	-	13,553,525	-	-	-

31st March, 2018	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
KES							
Non-derivative financial liabilities	-	-	-	-	-	-	-
Rs.							
Non-derivative financial liabilities	-	-	-	-	-	-	-

## 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 and non current borrowings in foreign currency. The functional currency of the Company is

## Exposure to currency risk

The currency profile of financial assets and financial liabilities as at 31st March 2019 and 31st March 2018

Particulars	31st March, 2019 USD	31st March, 2018 USD
<b>Financial assets</b>		
Other financial assets	735	-
<b>Total</b>	735	-
<b>Financial liabilities</b>		
Non current borrowings	110,000	-
Trade payables	189,240	-
Interest accrued on loan	3,465	-
<b>Total</b>	302,705	-

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

Currency	Year end spot rate	
	31st March 2019	31st March 2018
USD	100.11	NA

Currency	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
10% movement in USD	(3,023,027)	3,023,027	(3,023,027)	3,023,027

## 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



**3.20 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	
	KES	Rs.	KES	Rs.
Total borrowing	11,139,920	7,609,011	-	-
Less : Cash and cash equivalent	7,259,307	4,958,397	67,891	43,312
<b>Adjusted net debt</b>	<b>3,880,613</b>	<b>2,650,614</b>	<b>(67,891)</b>	<b>(43,312)</b>
Total equity	(3,403,119)	(2,324,467)	67,891	43,312
Less : Hedging reserve	-	-	-	-
<b>Adjusted equity</b>	<b>(3,403,119)</b>	<b>(2,324,467)</b>	<b>67,891</b>	<b>43,312</b>
<b>Adjusted net debt to adjusted equity ratio</b>	<b>(1.14)</b>	<b>(1.14)</b>	<b>(1.00)</b>	<b>(1.00)</b>

**3.21 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 KES 9,354,112 equivalent to Rs. 6,390,262 as at 1st 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.



**PHARMACOR LIMITED**

**NOTE 3: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2019**

- 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 Pharmacor Limited**

A handwritten signature in black ink, appearing to read "P. V. Damodaran".

**P. V. Damodaran**

Director