The Pharma Network LLP

Financial Statements

For the year ended March 31, 2019

THE PHARMA NETWORK LLP

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THE PHARMA NETWORK LLP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

Management of The Pharma Network LLP (hereinafter - "the Company") is responsible for the preparation of the financial statements, that fairly present, in all material respects, financial position of the Company as at March 31, 2019, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the financial statements to understand the impact of particular transactions, as well as other events and conditions on the financial position and financial results of the Company's operations; and
- assessment of the Company's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining the effective and reliable functionality of the internal control system of the Company;
- maintaining adequate accounting system, that are sufficient to show and explain the Company's transactions and allowing the preparation of information about the Company's financial position at any time with reasonable accuracy, and to ensure compliance of financial statements with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan and IFRS;
- adopting measures within its competence to safeguard assets of the Company; and
- and preventing and detecting fraud and other irregularities.

The financial statements for the year ended March 31, 2019 were approved by management of the Company on April 30, 2019.

General Director ________________ Parikh V.G.

Chief Accountant ________________ Uskembayeva A.M.

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An instinct for growth™

Grant Thornton LLP
Office 2103
4V BC Nurly Tau, n.p. 21V
15 Al-Farabi ave.
Almaty
050059
T +7 (727) 311 13 40
almaty@kz.gt.com
www.grantthornton.kz

INDEPENDENT AUDITOR'S REPORT

To owner and management of The Pharma Network LLP

Opinion

We have audited the financial statements of The Pharma Network LLP (hereinafter - the "Company"), which comprise the statement of financial position as at March 31, 2019, and statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Pharma Network LLP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance of The Pharma Network LLP regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Yerzhan Dossymbekov

General Director
Grant Thornton LLP

Tatyana Gutova

Engagement partner

Certified Auditor of the Republic of Kazakhstan
Certificate #MF-0000314 on December 23, 1996

State license #18015053 dated August 3, 2018 (the date of primary issue - July 27, 2011) for providing audit services on the territory of the Republic of Kazakhstan, issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan.

April 30, 2019
Almaty, the Republic of Kazakhstan

THE PHARMA NETWORK LLP

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

In thousands of tenge	Notes	**March 31, 2019**	March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	5	**51,492**	42,512
Intangible assets		**–**	5
Deferred corporate income tax assets	18	**17,030**	15,378
Total non-current assets		**68,522**	**57,895**
Current assets			
Inventories	6	**477,922**	292,937
Accounts receivable	7	**290,637**	322,655
Advances paid	8	**13,716**	17,594
Other current assets		**6,014**	2,677
Cash and cash equivalents	9	**256,199**	281,820
Total current assets		**1,044,488**	**917,683**
TOTAL ASSETS		**1,113,010**	**975,578**
EQUITY AND LIABILITIES			
Equity			
Charter capital	10	**832,162**	832,162
Accumulated losses		**(208,363)**	(98,892)
TOTAL EQUITY		**623,799**	**733,270**
Current liabilities			
Accounts payable	11	**418,777**	187,435
Advances received		**1,018**	140
Other taxes payable	12	**8,587**	9,906
Provisions	13	**40,987**	37,090
Other current liabilities	14	**19,842**	7,737
Total current liabilities		**489,211**	**242,308**
TOTAL LIABILITIES		**489,211**	**242,308**
TOTAL EQUITY AND LIABILITIES		**1,113,010**	**975,578**

The notes on pages 5 – 29 are an integral part of these financial statements.

General Director ______________ Parikh V.G.

Chief Accountant ______________ Uskembayeva A.M.

Қазақстан Республикасы Алматы қаласы Жауапкершілігі шектеулі серіктестігі «The Pharma Network» Limited Liability Partnership Республика Казахстан г. Алматы Товарищество с ограниченной ответственностью «The Pharma Network» (Зэ Фарма Нэтворк)

April 30, 2019
Almaty, the Republic of Kazakhstan

THE PHARMA NETWORK LLP

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED MARCH 31, 2019

In thousands of tenge	Notes	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Revenue from contracts with customers	15	**1,100,658**	1,133,473
Cost of goods sold		**(457,913)**	(376,125)
Gross profit		**642,745**	**757,348**
Selling, general and administrative expenses	16	**(755,676)**	(694,881)
Recovery of impairment losses on financial assets	7, 9	**1,850**	–
Other operating income	17	**9,164**	20,002
Other operating expenses	17	**(8,072)**	(18,128)
Operating (loss) / profit		**(109,989)**	**64,341**
Finance income		**9,851**	11,888
(Loss) / profit before corporate income tax		**(100,138)**	**76,229**
Corporate income tax benefit / (expense)	18	**1,652**	(26,957)
Net (loss) / income for the year		**(98,486)**	**49,272**
Other comprehensive income		–	–
Total comprehensive (loss) / income for the year		**(98,486)**	**49,272**

The notes on pages 5 – 29 are an integral part of these financial statements.

General Director — Parikh V.G.

Chief Accountant — Uskembayeva A.M.

April 30, 2019
Almaty, the Republic of Kazakhstan

THE PHARMA NETWORK LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2019

In thousands of tenge	Charter capital	Accumulated losses	**Total equity**
As at March 31, 2017	**832,162**	**(148,164)**	**683,998**
Profit for the year	–	*49,272*	***49,272***
Other comprehensive income	–	–	–
Total comprehensive income for the year	–	**49,272**	**49,272**
As at March 31, 2018	**832,162**	**(98,892)**	**733,270**
As at April 1, 2019	**832,162**	**(98,892)**	**733,270**
Effect on impact of IFRS 9 (Note 3)	–	**(10,985)**	**(10,985)**
As at April 1, 2019 (recalculated)	**832,162**	**(109,877)**	**722,285**
Loss for the year	–	*(98,486)*	***(98,486)***
Other comprehensive income	–	–	–
Total comprehensive loss for the year	–	**(98,486)**	**(98,486)**
As at March 31, 2019	**832,162**	**(208,363)**	**623,799**

The notes on pages 5 – 29 are an integral part of these financial statements.

General Director — Parikh V.G.

Chief Accountant — Uskembayeva A.M.

April 30, 2019
Almaty, the Republic of Kazakhstan

THE PHARMA NETWORK LLP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2019

In thousands of tenge	Notes	**For the year ended March 31, 2019**	For the year ended March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss) / profit before corporate income tax		**(100,138)**	76,229
Adjustments for:			
Depreciation of property, plant and equipment	5	**26,518**	26,753
Amortization of intangible assets		**5**	5
Gain on disposal of property, plant and equipment	17	**(3,895)**	(2,629)
Allowance for doubtful accounts	16	**4,333**	815
Finance income		**(9,851)**	(11,888)
Provision for obsolete and slow-moving goods	6	**1,740**	10,370
Other provisions		**3,897**	12,832
Foreign exchange gain		**4,797**	1,701
Recovery of impairment losses on cash	9	**(1,400)**	–
Recovery of impairment loss of accounts receivable	7	**(450)**	–
Operating income before changes in working capital		**(74,444)**	**114,188**
Changes in working capital:			
Changes in inventories		**(186,725)**	(221,262)
Changes in accounts receivable		**23,618**	(34,816)
Changes in advances paid		**3,878**	(10,023)
Changes in other current assets		**(3,617)**	3,457
Changes in accounts payable		**231,342**	183,106
Changes in advances received		**878**	(189)
Changes in other taxes payable		**(1,319)**	(483)
Changes in other current liabilities		**12,105**	5,444
Cash received from operating activities		**5,716**	**39,422**
Corporate income tax paid		–	(1,783)
Interest received		**10,131**	9,033
Net cash received from operating activities		**15,847**	**46,672**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property, plant and equipment	5	**(36,732)**	(11,628)
Proceeds from sale of property, plant and equipment		**5,129**	3,313
Net cash used in investing activities		**(31,603)**	**(8,315)**
Net (decrease) / increase in cash and cash equivalents		**(15,756)**	38,357
The effect of changes in foreign exchange rates		**(4,797)**	(1,701)
Cash and cash equivalents at the beginning of the year	9	**281,820**	245,164
Provision for expected credit losses	9	**1,400**	–
Adjustments as at the date of initial recognition of IFRS 9	3	**(6,468)**	
Cash and cash equivalents at the end of the year	9	**256,199**	**281,820**

The notes on pages 5 – 29 are an integral part of these financial statements.

General Director Parikh V.G.

Chief Accountant Uskembayeva A.M.

April 30, 2019
Almaty, the Republic of Kazakhstan

1. GENERAL INFORMATION

The Pharma Network LLP (the "Company") was registered on 16th of August 2012, by Almaty department of Ministry of Justice of the Republic of Kazakhstan.

As at March 31, 2019 and 2018 the sole owner of the Company was Alkem Laboratories Limited, India (the "Parent Company"). The Parent's shares are listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

The main activity of the Company is purchase and subsequent wholesale of pharmaceutical drugs.

The Company has a license #FD64600532KA dated November 29, 2012 issued by the State Institution Department of the Control Committee for Medical and Pharmaceutical Activities to engage in wholesale of pharmaceutical drugs.

Legal address of the Company is: 21B, Konayev st., Almaty, the Republic of Kazakhstan.

The number of employees of the Company as at March 31, 2019 was 47 people (March 31, 2018: 47 people)

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

Operating environment

The economy of the Republic of Kazakhstan continues to show the features inherent in developing countries. Among others, such characteristics include the absence of a freely convertible national currency outside the country and a low level of liquidity of debt and equity securities in the markets.

The prospects for the economic stability of the Republic of Kazakhstan substantially depend on the effectiveness of economic measures undertaken by the Government, as well as the development of the legal, regulatory and political systems that are outside the scope of control of the Company.

The financial condition and future activities of the Company may deteriorate due to continuing economic problems inherent in a developing country. Management cannot foresee either the degree or duration of economic difficulties or assess their impact, if any, on these financial statements.

The management of the Company believes it is undertaking all necessary measures to support the economic sustainability of the Company in such circumstances. However, further deterioration in the areas described above could negatively affect the results and financial position of the Company. At the present time it is impossible to determine exactly what this influence might be.

Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the International Accounting Standards Board (IASB).

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments initially recognized at fair value.

2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Accrual basis

These financial statements were prepared on the accrual basis. The accrual basis assumes recognition of the results of business operations, as well as events when they occurred, regardless of the time of payment. Transactions and events are recorded in the accounting and included in the financial statements for the periods to which they relate.

Recognition of the elements of financial statements

These financial statements include all assets, liabilities, equity, revenues and expenses, which are the elements of the financial statements. All elements of the financial statements are presented on a linear basis. The inclusion of several elements of the financial statements into a single line item is made taking into account their characteristics (functions) in the Company's operations. Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

Going concern basis

These financial statements have been prepared on the assumption that the Company will continue as a going concern. It assumes the realization of assets and settlement of liabilities in the ordinary course of business in the foreseeable future. However, the Company incurred a total comprehensive loss of 98,486 thousand tenge for the year ended March 31, 2019 (for the year ended March 31, 2018: total comprehensive income of 49,272 thousand tenge) and, as of that date, the Company's accumulated loss amounted to 208,363 thousand tenge (March 31, 2018: 98,892 thousand tenge). However, management believes that the Company will continue as a going concern due to the following reasons:

- the Company has a strategic plan for 3 upcoming years for increasing its future profits by introducing three new products on the Kazakhstani market, increasing its average selling prices by 3.5%, expansion of marketing program and expanding its market share by opening 4 new offices in Kazakhstan – Kostanai, Petropavlosk, Pavlodar and Kokshetau. This strategic program expected to generate additional net income of the Company by 101 mln. tenge for the year ending March 31, 2020;
- the current contract to purchase pharmaceutical drugs from the Parent is valid until November 2020, which will allow the Company to generate revenues from customers. During April 2019, the Company signed a contract with the Parent with duration until 2022;
- price setting strategy of the Parent for pharmaceutical drugs will allow Company to meet its arising current obligations to third parties;
- the Company successfully works with its major customers during long period, who are famous distributors of pharmaceutical products on Kazakhstani market.

Management does not have any intention or necessity to liquidate or significantly reduce the size of its business and believes that the Company will continue as a going concern.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and interpretations adopted in the current year

The Company adopted the following new and revised standards during the year beginning on April 1, 2018:

- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Considerations";
- The amendments to IAS 40 "Transfers Investment property from one category to another"
- Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"
- Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"
- Amendments to IAS 28 "Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice"
- Amendments to IFRS 1, "First-time Adoption of International Financial Reporting Standards", elimination of a number of short-term exemptions for organizations applying IFRS for the first time.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations adopted in the current year (continued)

The Company for the first time adopted IFRS 15 “Revenue from contracts with customers” and IFRS 9 “Financial instruments”. According to the requirements of IFRS, information on the nature and impact of these changes is disclosed below. The Company also adopted some other amendments and clarifications for the first time in the year ended March 31, 2019, but they do not have any impact on its financial statements.

IFRS 15 “Revenue from contracts with customers”

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and corresponding explanations and applies to any revenues arising from contracts with customers, except when the contracts are within the scope of other standards. To account for revenue arising from contracts with customers, the new standard provides for a model that includes five stages. Under IFRS 15, revenue is recognized in the amount of consideration that an entity expects to recover in exchange for a transfer of goods or services to customer. IFRS 15 requires that organizations apply judgment and take into account all relevant facts and circumstances when applying each phase of the model to contracts with customers. The standard also contains requirements for accounting for additional costs for contracting and costs directly related to the implementation of the contract.

The five steps in the model are as follows:

- identify the contract with the customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations;
- recognize revenue when or as the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. The standard introduces more prescriptive guidance such as the point in which revenue is recognized, accounting for variable consideration, costs of obtaining and the costs related to fulfilling a contract etc. In addition, the standard requires extensive disclosures.

The Company applies IFRS 15 using the retrospective method with recognition of total impact of initial application of this standard as at April 1, 2018. The Company has applied this standard retrospectively only to contracts that were not performed on the date of initial application, April 1, 2018.

Based on the analysis of IFRS 15 requirements on the recognition and measurement of revenue, management of the Company has determined that current policies for revenue recognition did not differ significantly from the policy requirements presented in IFRS 15. Consequently, the application of IFRS 15 did not have an impact on the amounts and timing of revenue recognition. Accordingly, the adjustment of the incoming balance of retained earnings as at April 1, 2018 has not been made.

Some contracts provide customers with the right to return goods within a specified period, as well as the right to discounts, which results in a variable refund, the right to which the Company will receive. The Company analyzed that the effect of variable reimbursement is insignificant due to the small number of returns performed, and the time periods during which discounts can be applied are short enough, and the Company is able to reliably estimate the amount of revenue at the reporting date, and therefore IFRS 15 for variable consideration did not affect the amounts and timing of revenue recognition.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations adopted in the current year (continued)

IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces IAS 39 "Financial instruments: recognition and measurement" and is effective for annual periods beginning on January 1, 2018 or after that date. IFRS 9 combines three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

As at April 1, 2018, the Company had the following financial assets and liabilities: accounts receivable, cash and cash equivalents and accounts payable.

Classification and evaluation

The new requirements change the classification and measurement of financial assets and make little difference to the existing initial recognition and derecognition of all financial instruments.

According to IFRS 9, financial assets are classified and measured as follows:

- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

According to IFRS 9, the Company classifies accounts receivable and cash and cash equivalents as financial assets measured at amortized cost, as these financial assets are held within the business model, the purpose of which is to retain the financial asset in order to receive contractual cash flows within the terms specified in the contract, which are exclusively payments against the principal.

At initial recognition, the Company estimates accounts receivable at transaction price if the accounts receivable do not contain a significant financing component.

The Company's business models were evaluated on the date of initial application April 1, 2018, and then applied retrospectively to those financial assets that had not been derecognized as at April 1, 2018. The analysis of whether the contractual cash flows on debt instruments were solely payments of principal and interest was based on the facts and circumstances that existed at the time of initial recognition of these assets.

The accounting treatment of the Company's financial liabilities has remained substantially unchanged compared to the procedure applied in accordance with IAS 39.

Based on the analysis, management of the Company believes that the new classification requirements will not have an impact on the accounting and classification of financial assets and liabilities. The Company reviewed the characteristics of cash flows under the contracts and concluded that they met the measurement criteria for amortized cost in accordance with IFRS 9.

Impairment

The application of IFRS 9 changed radically the accounting treatment used by the Company for impairment losses on financial assets. The method used in IAS 39 and based on incurred losses was replaced by a model of projected expected credit losses (ECL). IFRS 9 requires the Company to reflect the estimated provision for expected credit losses on all financial assets not measured at fair value through profit or loss.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations adopted in the current year (continued)

IFRS 9 "Financial instruments" (continued)

Impairment (continued)

Expected credit losses are calculated as the difference between the cash flows due to the Company under the agreement and all cash flows that the Company expects to receive. The shortfall is then discounted at a rate approximately equal to the original effective interest rate on the asset.

Regarding accounts receivable, the Company applied the simplified approach provided in the standard and calculated the expected credit losses over the entire term. When assessing credit risk and estimating expected credit losses, the Company categorizes its customers into groups by category and by industry. The Company assessed the expected credit losses using the probability of default rate specific to industry characteristics.

For cash and cash equivalents, expected credit losses are calculated for a period of 12 months. The 12-month expected credit losses are part of the expected credit losses over the entire term, which may be incurred within 12 months after the reporting date. However, a significant increase in credit risk after the asset is recognized will lead to the application of expected credit losses for the entire term.

The adoption of IFRS 9 has impacted the assessment of the expected credit loss of financial assets. This has affected cash and accounts receivable.

As a result of applying IFRS 9, the Company adjusted, as a result of which, as at April 1, 2018, retained earnings were decreased by 10,985 thousand tenge and, accordingly, cash and cash equivalents were reduced by 6,468 thousand tenge and accounts receivable by 4,517 thousand tenge (Notes 9 and 7).

IFRIC 22 "Foreign Currency Transactions and Advance Considerations"

The clarification explains that the date of the transaction for the purpose of determining the exchange rate to be used upon initial recognition of the relevant asset, expense or income (or part) when derecognizing a non-monetary asset or non-monetary liability arising from making or receiving an advance payment to which the organization initially recognizes a non-monetary asset or non-monetary liability arising from the performance or receipt of a preliminary battens. In the case of multiple transactions of making or receiving an advance payment, the organization must determine the date of the operation for each payment or receipt of a preliminary payment. This clarification had no impact on the financial statements.

Management believes that the application of the amendment to IFRS 2 "Classification and evaluation of share-based payment transactions", IFRS 4 "Application of IFRS 9 "Financial Instruments" together with IFRS 4 "Insurance Contracts", IAS 28 "Investments in Associates and Joint Ventures "- explaining that the decision to evaluate investment objects at fair value through profit or loss should be made separately for each investment and IFRS 1 "First application of International Financial Standards reporting"- elimination of a number of short-term exemptions for first-time adopters of IFRS is not applicable to the Company.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Standards and interpretations adopted in the current year (continued)

New and revised IFRS – issued but not yet effective

The Company has not adopted the following new and revised IFRS and Interpretations (issued but not yet effective):

- IFRS 16 “Leases”[1];
- IFRS 17 “Insurance Contracts”[2];
- Clarification of IFRIC 23 “Uncertainty over income tax treatments” [1];
- Amendments to IFRS 9: Features of early repayment with negative compensation [1];
- Amendments to IFRS 10 and IAS 28 - the sale or contribution of assets between an investor and its associated or joint venture[3];
- Amendments to IAS 19 “Making changes to a program, reducing a program, or paying off program commitments”[1];
- Amendments to IAS 28: “Long-term interests in associates and joint ventures”[1];
- Annual improvements to IFRS 2015–2017[1].

[1] *Effective for annual periods beginning on or after January 1, 2019, with permittion of early application.*
[2] *Effective for annual periods beginning on or after January 1, 2021, with permittion of early application.*
[3] *IFRS delayed the entry into force of these amendments for an indefinite period.*

IFRS 16 “Leases”

IFRS 16 replaces IAS 17 “Leases”, clarification of IFRIC 4 “Determining whether an agreement contains a lease”, clarification of SIC 15 “Operating leases - incentives” and clarification of SIC 27 "Evaluating the substance of transactions involving the legal form of a lease.

IFRS 16 establishes principles for recognizing, measuring, presenting and disclosing information about leases and requires lessees to reflect all leases using a single accounting model, similar to the accounting for financial leases under IAS 17. The standard provides for two exemptions from recognition for tenants - in relation to the lease of ‘low-value assets’ and short-term lease.

IFRS 16 is effective from periods beginning on or after January 1, 2019. Early adoption is permitted; however, the Company have decided not to early adopt.

During the year ended March 31, 2019, the Company preliminary estimated the effect of initial application of IFRS 16 on the financial statements, as a result, in the statement of financial position property, plant and equipment (right-of-use asset) and lease liabilities will increase by 18,503 thousand tenge, in the statement of profit and loss and other comprehensive income, annually before the end of the lease, increase of depreciation expenses of property, plant and equipment (right-of-use asset) by 6,167 thousand tenge and decrease of rent expenses by 6,945 thousand tenge, and finance costs will increase by 2,331 thousand tenge during the first year, and during subsequent periods by 1,750 thousand tenge and 1,096 thousand tenge, respectively.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

New and revised IFRS – issued but not yet effective (continued)

IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- assumptions that the organization makes in relation to the audit of tax interpretations by the tax authorities;
- how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- how an entity considers changes in facts and circumstances.

The Company has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after January 1, 2019. Certain transition reliefs are available. These amendments will not affect the Company' financial statements.

Annual improvements to IFRS 2015-2017 (issued in December 2017)

IFRS 3 "Business Combinations"

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted. The amendments will not have an impact on the Company's financial statements.

IAS 12 "Income Taxes"

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, the Company recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognized those past transactions or events. The Company applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. These amendments will not affect the Company's financial statements.

3. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Annual improvements to IFRS 2015-2017 (issued in December 2017) (continued)

IAS 23 "Borrowing Costs"

The amendments clarify that the Company treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Company first applies those amendments.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019 with early application permitted. These amendments will not affect the Company's financial statements.

Management believes that amendments to IAS 19 *"Changes to the program, reduction of the program or repayment of obligations under the program"* and the application of IFRS 17 *"Insurance Contracts"* and Amendments to IFRS 10 and IAS 28, "*Sale or contribution of assets between an investor and its associate or joint venture*", Amendments to IAS 28 "*Long-Term interests in associates and joint ventures*" not applicable to the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The Company maintains its accounting records in tenge which is its functional currency. The tenge is not a fully convertible currency outside of Kazakhstan. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction using exchange rates set by the Kazakhstan Stock Exchange (further - "KASE").

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. All differences arising from a change in exchange rates subsequent to the date of a transaction are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

As at March 31, 2019 currency exchange rates of KASE used by the Company in preparing the financial statements are as follows: 1 US dollar was equal to 380.04 tenge, (March 31, 2018: 318.31 tenge per 1 USD dollar).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the acquisition cost including import duties and non-recoverable taxes and borrowing costs for long-term construction projects if the recognition criteria are met, so as direct costs related to bringing the asset to working condition and delivery to the place of the intended use.

Subsequent costs relating to an item of property, plant and equipment, which has been already recognized, increase its carrying amount when it is highly probable that the Company will receive future economic benefits, which exceed the initially calculated standard parameters for the existing asset.

All other costs are recognized as expenses in the reporting period when they are incurred.

After initial recognition as an asset, the item of property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any.

The useful life of property, plant and equipment is determined taking into account the expected use of an asset and may be shorter than its economic life. The useful life of property, plant and equipment is a matter of judgment based on the experience with similar assets.

The Company determines the following average useful lives for property, plant and equipment:

Category of property, plant and equipment	Useful life
Office equipment	4 years
Furniture and fixtures	5-6 years
Vehicles	3-6 years

The useful life of items of property, plant and equipment and their residual value may be revised by management as necessary, considering all factors, which influence future economic benefits and the Company's intention with respect to the use of property, plant and equipment.

Depreciation of property, plant and equipment is recognized in the statement of profit or loss and other comprehensive income and is calculated using the straight-line method over the expected useful lives of the assets.

Upon sale or disposal of asset, its cost and accumulated depreciation are eliminated from the respective accounts, and any gain or loss resulted from its disposal are included in the statement of profit or loss and other comprehensive income.

Inventories

Inventories are initially recognized at purchase cost, which includes the purchase price, import duties and other non-recoverable taxes, and transportation expenses, handling and other costs directly attributable to the purchase of inventories.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories (continued)

Weighted average costing method is used for measuring cost of inventories, under which the cost of each item is determined from the weighted average cost of similar items at the beginning of a period and the cost of similar items purchased during the period.

The average amount is calculated on a periodic basis, as each additional inventory is received.

After initial recognition, inventories are measured at the lower of cost or net realizable value. The amount of partial write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the reporting period when the write-down or loss occur. The amount of any recovery of the write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction of previously recognized expenses in the period in which the recovery occurs.

Inventories are written down to net realizable value item by item.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the relevant financial instrument.

With the exception of accounts receivable, on initial recognition, the Company assesses a financial asset or financial liability at a fair value increased or decreased in the case of a financial asset or financial liability recorded at fair value through profit and loss for the amount of transaction costs that are directly relate to the acquisition or issue of a financial asset or financial liability.

Financial assets

The Company has the following financial assets: cash and cash equivalents (Note 9) and accounts receivable (Note 7).

According to the selected business model and cash flow characteristics, financial assets are classified into the following categories:

- measured at amortized cost;
- at fair value through profit or loss;
- measured at fair value through other comprehensive income.

Subsequently, the Company's financial assets are carried at amortized cost using the effective interest rate.

A financial asset is carried at amortized cost if two criteria are met:

- the purpose of the business model is to hold a financial asset to obtain all contractual cash flows. The business model is determined by the management of the Company; and
- contractual cash flows are represented only by interest and principal payments. Remuneration is a payment for the time value of money and the credit risk associated with the principal debt to be paid in a certain period of time.

If at least one of the above criteria is not met, the financial asset is measured at fair value.

Amortized cost is estimated using the effective interest method. The effective interest rate is the discount rate of expected future cash flows (including all payments received or made on a debt instrument that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) for the expected time to maturity of the debt instrument or (if applicable) for a shorter period to the book value at the time of adoption of the debt instrument for accounting.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in savings accounts for up to 90 days and cash in current bank accounts that are subject to an insignificant risk of changes in value. After initial recognition, cash and cash equivalents are accounted for net of the estimated reserve for expected credit losses.

Accounts receivable

At initial recognition, the Company estimates accounts receivable at transaction price, if accounts receivable do not contain a significant component of financing in accordance with IFRS 15. Subsequently, this asset is measured at amortized cost, less an allowance for estimated credit losses.

Derecognition

A financial asset (or, where applicable - part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position if:

- the rights to receive cash flows from the assets otherwise expire;
- the Company has transferred the rights to receive cash flows from the asset or made a commitment to pay the received cash flows to a third party in full and without significant delay under the pass–through agreement; and either (a) the Company has transferred practically all the risks and rewards of the asset; or (b) the Company did not transfer, but does not retain practically all the risks and benefits from the asset for itself, but retained control over the asset. If the Company transferred all its rights to receive cash flows from the asset, or entered into a pass-through agreement, it assesses whether it retained the risks and benefits associated with the right of ownership, and if so, to what extent;
- if the Company neither transferring nor retaining practically all the risks and benefits of the asset, and nor retaining control over the asset, the new asset is recognized to the extent that the Company continues to participate in the retaining asset. In this case, the Company also recognizes a corresponding liability.

The transferred asset and the corresponding liability are assessed on a basis that reflects the rights and obligations reserved by the Company. Ongoing participation, which takes the form of a guarantee on the transferred asset, is recognized at the lowest of the following values: the initial book value of the asset or the maximum amount that may be demanded from the Company.

Impairment of financial assets

The Company recognizes an estimated provision for expected credit losses on financial assets measured at amortized cost, which is defined as the difference between all contractual cash flows owed to the Company and the cash flows that it actually expects to receive. The shortfall is then discounted at a rate approximately equal to the initial effective interest rate for the asset.

When assessing credit risk and estimating expected credit losses, the Company categorizes its customers into groups by category and by industry. The Company assessed the expected credit losses using the probability of default rate specific to industry characteristics.

The Company recognizes in the statement of profit and loss and other comprehensive income as a gain or loss on impairment, the amount of expected credit losses (or their recovery) required to adjust the estimated provision for losses as at the reporting date to the amount to be recognized.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Recognition and evaluation

The Company's financial liabilities are classified as financial liabilities at amortized cost using the effective interest method.

Accounts payable

Accounts payable are initially measured at fair value and subsequently revalued at amortized cost using effective interest rate method.

Derecognition

The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting

Financial assets and liabilities are only offset and reported at the net amount in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Fair value of financial instruments

Fair value of financial instruments traded in active markets is determined at each reporting date, based on quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, fair value is determined using appropriate valuation techniques. Such techniques may include using prices of recent arm’s length market transactions, using current fair value of similar instruments; discounted cash flow analysis or other valuation models.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

Current tax

The current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company’s liability for current tax is calculated using statutory tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognized for taxable temporary differences, except where the Company is able to control the recovery of the temporary difference and it is probable that the temporary difference will not recover in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that there is a probability of future tax profit that will be sufficient to utilize the benefits of the temporary differences and they are expected to recover in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced if the probability of future taxable profit sufficient for the full or partial use of these assets is no longer high.

Deferred tax assets and income tax liabilities are measured at tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to be enacted or substantively enacted during the period when the tax asset is realized or the liability is settled.

The measurement of deferred tax liabilities and assets reflects the tax consequences of the Company's intentions as at the reporting date with respect to the manner in which the carrying amount of assets is recovered or the liabilities are settled.

Employee benefits

In accordance with the applicable legislation of the Republic of Kazakhstan the Company withholds 10% of pension contributions from employee salaries, but no more than 212,130 tenge for the year ended March 31, 2019 (for the year ended March 31, 2018: 183,443 tenge per month). According to the legislation of the Republic of Kazakhstan pension contributions are the responsibility of an employee, and the Company does not have any post-retirement benefits or other significant compensated benefits requiring accrual.

Short-term benefits

In determining the amount of the obligation in respect of short-term employee benefits, discounting is not applied, and the related costs are recognized as employees perform their duties.

In respect of the amount expected to be paid under short term plan bonus payments or profit sharing, recognizes an obligation if the Company has a current legal or constructive obligation to pay the corresponding amount, resulting from the exercise by the employee of his or her employment in the past, and the amount of that obligation can be measured reliably.

Revenues from contracts with customers

The Company recognizes revenue when control of the asset is transferred to the buyer. The transfer of control occurs when the product is shipped from The Company's warehouse or delivered to the buyer's warehouse, depending on the conditions specified in the contracts.

Some contracts with buyers give the right to discounts for their customers under certain conditions. The Company estimates expected discounts and includes them in accounts receivable as a decrease in the sales period. The time periods in which discounts can be applied are quite short, and the Company has the ability to reliably estimate the amount of revenue at the date of the financial statements.

Some contracts with customers imply possible returns. When transferring control over the goods, the Company does not recognize revenue in terms of goods that are expected to be returned.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events after reporting period

Events occurred after the end of the year, which provide additional information about the position of the Company as at the date of the statement of financial position (adjusting events) are reflected in the financial statements. Events occurred after the end of the year that are not adjusting events are disclosed in notes if they are significant.

Related party transactions

Per IAS 24 “Related party disclosure”, the Company discloses the nature of the related party relationships as well as information about those transactions and outstanding account balances necessary for an understanding of the potential effect of the relationships on the financial statements.

In these financial statements related parties are those that can control or exercise significant influence over operating and financial decisions of other party. When deciding on whether the parties are related, a substance of the relationship is considered, and not merely its legal form.

Significant accounting judgements and estimates

Preparation of financial statements in accordance with IFRS requires the application of judgments by management of the Company and use of subjective estimates and assumptions that affect recorded amounts of assets and liabilities and disclosure of information about potential assets and liabilities at the reporting date of financial statements and recorded amounts of income and expenses during the reporting period. Even though the estimates are based on historical knowledge and other significant factors, events or actions may arise in such a manner, so actual results may differ from these estimations.

Taxation

Kazakhstan legislative acts and regulations are not always clearly written. Instances of inconsistent opinions between local, regional and national tax authorities are possible. Where additional taxes are imposed by the tax authorities penalties and fines applied are significant; penalties are generally assessed at 50% of the additional taxes accrued, and fines are assessed at the refinancing rate established by the National Bank of Kazakhstan multiplied by 1.25. As a result, penalties and fines can exceed the amount of additional accrued taxes.

Because of the uncertainties disclosed above, the ultimate amount of taxes, penalties and fines imposed, if any, may be in excess of the amount expensed to date and accrued as at March 31, 2019. Any difference between the estimated amount and the actual amount paid, if any, could have a significant impact on Company’s income in future periods.

5. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment for the years ended March 31, 2019 and 2018 are presented below:

In thousands of tenge	Furniture and fixtures	Vehicles	Office equipment	**Total**
Cost:				
As at March 31, 2017	**2,359**	**99,812**	**4,095**	**106,266**
Additions	100	8,340	3,188	**11,628**
Internal movement	(53)	875	(822)	**–**
Disposals	–	(3,047)	(214)	**(3,261)**
As at March 31, 2018	**2,406**	**105,980**	**6,247**	**114,633**
Additions	1,574	34,289	869	**36,732**
Disposals	(183)	(4,619)	(70)	**(4,872)**
As at March 31, 2019	**3,797**	**135,650**	**7,046**	**146,493**
Accumulated depreciation:				
As at March 31, 2017	**(594)**	**(45,592)**	**(1,759)**	**(47,945)**
Charge for the year (Note 16)	(395)	(25,482)	(876)	**(26,753)**
Internal movement	105	(182)	77	**–**
Depreciation on disposal	–	2,691	(114)	**2,577**
As at March 31, 2018	**(884)**	**(68,565)**	**(2,672)**	**(72,121)**
Charge for the year (Note 16)	(517)	(24,873)	(1,128)	**(26,518)**
Depreciation on disposal	91	3,547	–	**3,638**
As at March 31, 2019	**(1,310)**	**(89,891)**	**(3,800)**	**(95,001)**
Net book value:				
As at March 31, 2019	**2,487**	**45,759**	**3,246**	**51,492**
As at March 31, 2018	**1,522**	**37,415**	**3,575**	**42,512**

As at March 31, 2019 the amount of fully depreciated but still in use property, plant and equipment was 4,030 thousand tenge (March 31, 2018: 4,260 thousand tenge).

6. INVENTORIES

Inventories as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Goods for sale (pharmaceutical drugs)	**489,712**	301,115
Other inventories	**3,409**	5,281
Less: provision for obsolete and slow-moving inventories	**(15,199)**	(13,459)
	477,922	**292,937**

The movement of provision for obsolete inventories for the years ended March 31, 2019 and 2018 is presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
As at April 1	**13,459**	13,141
Accrued for the year (Note 16)	**1,740**	10,370
Write-off	**–**	(10,052)
As at March 31	**15,199**	**13,459**

7. ACCOUNTS RECEIVABLE

Accounts receivable as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Trade accounts receivable	**304,204**	328,329
Other accounts receivable	**2,934**	2,427
Less: allowance for doubtful accounts	**(16,501)**	(8,101)
	290,637	**322,655**

As at March 31, 2019 and 2018 accounts receivable were denominated in tenge.

As at March 31, 2019 and 2018 accounts receivable that were not impaired were as follows:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Neither past due nor impaired	**228,302**	236,396
Past due 1-180 days	**59,401**	83,353
Past due more than 180 days	–	479
	287,703	**320,228**

The movement of allowance for doubtful accounts for the years ended March 31, 2019 and 2018 are presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Beginning of the year	**8,101**	7,500
The effect of the initial application of IFRS 9 (Note 3)	**4,517**	–
Recovery of impairment losses	**(450)**	–
Bad debt allowance (Note 16)	**4,333**	601
As at March 31, 2019	**16,501**	**8,101**

8. ADVANCES PAID

Advances paid as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Advances paid for services	**13,716**	15,692
Advances paid for goods	–	1,902
	13,716	**17,594**

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Cash in savings accounts	**190,058**	272,824
Cash on current bank accounts	**70,318**	8,677
Cash on hand	**891**	319
	261,267	**281,820**
Impairment losses	**(5,068)**	**-**
	256,199	**281,820**

The movement in the allowance was as follows:

In thousands of tenge	**March 31, 2019**
Beginning of the year	–
The effect of the initial application of IFRS 9 (Note 3)	**6,468**
Recovery of impairment losses	**(1,400)**
End of the year	**5,068**

As at March 31, 2019, cash in savings accounts is represented by cash on a deposit account denominated in US dollars, opened in Tengri Bank JSC with an interest rate of 5% per annum with a maturity of one year.

As at March 31, 2019 and 2018 cash and cash equivalents was denominated in the following currencies:

In thousands of tenge	**March 31, 2019**	March 31, 2018
US Dollar	**216,088**	272,854
Tenge	**45,179**	8,966
	261,267	**281,820**

10. CHARTER CAPITAL

Charter capital as at March 31, 2019 and 2018 the is presented as follows:

In thousands of tenge	**March 31, 2019**		March 31, 2018	
	Share	**Amount**	Share	Amount
Alkem Laboratories Ltd.	**100%**	**832,162**	100%	832,162
	100%	**832,162**	100%	**832,162**

There were no changes in the charter capital for the year ended March 31, 2019. No dividends were declared or paid for the year ended March 31, 2019.

11. ACCOUNTS PAYABLE

Accounts payable as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	Notes	**March 31, 2019**	March 31, 2018
Accounts payable due to related parties	19	**413,359**	180,385
Accounts payable due to third parties		**5,418**	7,050
		418,777	**187,435**

11. ACCOUNTS PAYABLE (CONTINUED)

Amounts of accounts payable as at March 31, 2019 and 2018 were denominated in the following currencies:

In thousands of tenge	**March 31, 2019**	March 31, 2018
US Dollars	**413,359**	180,385
Tenge	**5,418**	7,050
	418,777	**187,435**

12. OTHER TAXES PAYABLE

Other taxes payable as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Withholding tax	**3,906**	2,413
Individual income tax	**2,329**	3,999
Social tax	**1,753**	2,705
Social contribution	**381**	402
Other social taxes	**174**	302
Other taxes	**44**	85
	8,587	**9,906**

13. PROVISIONS

Provisions as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Provision for sales commissions and bonus	**16,112**	12,191
Provision for unused vacation	**15,751**	13,628
Provision for audit services	**6,100**	5,000
Other provision	**3,024**	6,271
	40,987	**37,090**

14. OTHER CURRENT LIABILITIES

Other current liabilities as at March 31, 2019 and 2018 are presented below:

In thousands of tenge	**March 31, 2019**	March 31, 2018
Salaries payable	**17,489**	5,825
Pension contribution payable	**2,353**	1,912
	19,842	**7,737**

15. REVENUE FROM CONTRACTS WITH CUSTOMERS

The revenue from contracts with customers for the years ended March 31, 2019 and 2018 is presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Revenue from sales of pharmaceutical drugs	**1,100,658**	1,133,473
	1,100,658	**1,133,473**

15. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

For the year ended March 31, 2019 revenue from 4 major customers amounted to 62% of total revenue (for the year ended March 31, 2018: 3 major customers- 41%). The Company's revenue is generated on the territory of the Republic of Kazakhstan.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 are presented below:

In thousands of tenge	Notes	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Salary and related taxes		**456,953**	462,414
Marketing expenses		**139,125**	73,077
Depreciation of property, plant and equipment	5	**26,518**	26,753
Legal and professional services		**18,582**	22,588
Materials		**14,989**	13,111
Warehouse expenses		**14,755**	9,177
Fuel		**11,697**	10,115
Rent		**11,097**	10,269
Business trips		**13,416**	14,363
Transportation expenses		**12,142**	9,095
Communication		**10,878**	2,865
Insurance		**6,037**	4,583
Allowance for doubtful accounts	7	**4,333**	815
Provision for obsolete and slow-moving inventories	6	**1,740**	10,370
Amortization of intangible assets		**5**	5
Other expenses		**13,409**	25,281
		755,676	**694,881**

17. OTHER OPERATING INCOME/ EXPENSES

Other operating income for the years ended March 31, 2019 and 2018 is presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Foreign exchange gain, net	**5,269**	16,194
Gain on disposal of property, plant and equipment	**3,895**	2,629
Other income, net	–	1,179
	9,164	**20,002**

Other operating expenses for the years ended March 31, 2019 and 2018 are presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Other expenses	**(8,072)**	(18,128)
	(8,072)	**(18,128)**

18. CORPORATE INCOME TAX

The Company is subject to payment of corporate income tax at the prevailing statutory rate of 20%. The income tax expenses/benefit are presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Current corporate income tax expense	**–**	1,783
Deferred corporate income tax (benefit) / expense	**(1,652)**	25,174
Corporate income tax (benefit) / expense	**(1,652)**	**26,957**

18. CORPORATE INCOME TAX (CONTINUED)

Reconciliation of theoretical corporate income tax expense applicable to profit before income tax at the statutory income tax rate to actual income tax expense is presented below:

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
(Loss) / profit before corporate income tax	**(100,138)**	76,229
Statutory tax rate	**20%**	20%
Income tax at statutory rate	**(20,028)**	**15,246**
Tax effect of permanent differences		
Non-deductible expenses	**5,721**	11,711
Change in provision for unrecognized deferred income tax asset	**12,655**	–
Corporate income tax (benefit)/ expense	**(1,652)**	**26,957**

Balances of deferred taxes, calculated by applying the statutory tax rates prevailing at the date of statement of financial position to the temporary differences between tax base of assets and liabilities and the amounts presented in the financial statements include the following as at March 31, 2019 and 2018:

In thousands of tenge	**As at March 31, 2019**	**Charge to profit or loss**	As at March 31, 2018	Charge to profit or loss	As at March 31, 2017
Deferred income tax assets					
Tax loss carried forward	**12,655**	**8,785**	3,870	(28,100)	31,970
Allowance for doubtful accounts	**3,300**	**1,680**	1,620	1,620	–
Provision for sales commission	**3,222**	**784**	2,438	(43)	2,481
Unused vacation reserve	**3,150**	**424**	2,726	855	1,871
Provision for obsolete and slow-moving inventories	**3,040**	**348**	2,692	64	2,628
Property, plant and equipment	**2,066**	**2,713**	(647)	(474)	(173)
Provision for audit services	**1,220**	**220**	1,000	807	193
Other provisions	**605**	**(649)**	1,254	329	925
Tax liabilities	**427**	**2**	425	(232)	657
Total deferred income tax assets	**29,685**	**14,307**	**15,378**	**(25,174)**	**40,552**
Less: allowance for unrecognized tax asset	**(12,655)**	**(12,655)**	**-**	**-**	**-**
Net deferred corporate income tax asset	**17,030**	**1,652**	**15,378**	**(25,174)**	**40,552**

19. RELATED PARTY TRANSACTIONS

Related parties include the owners, entities under common control, key management personnel of the Company and entities in which a significant share is directly or indirectly owned by key management personnel and/or the owners of the Company.

Terms and conditions of related party transactions

Transactions with related parties were conducted on terms agreed between the parties, which were not necessarily carried out at market terms. Outstanding balances at year end are unsecured, interest bearing, and payments are made in cash. Such assessment is made at the end of each reporting period by means of examining the financial position of the related party and the market, in which it operates.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Terms and conditions of related party transactions (continued)

Significant related parties' balances and transactions for the year ended March 31, 2019 and 2018 are presented below:

Purchases of goods

In thousands of tenge	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Alkem Laboratories Limited, the Parent	**624,237**	558,207
	624,237	**558,207**

Accounts payable (Note 11)

In thousands of tenge	Notes	**For the year ended March 31, 2019**	For the year ended March 31, 2018
Alkem Laboratories Limited, the Parent	11	**413,359**	180,385
		413,359	**180,385**

Compensation to Key Management Personnel

Key management personnel include General Director, Deputy General Director, Commercial Director and the Chief Accountant - a total of 4 people as at March 31, 2019 (as at March 31, 2018: 4 people). Total compensation to key management personnel included in selling, general and administrative expenses of the statement of profit or loss and other comprehensive income amounted to 174,788 thousand tenge for the year ended March 31, 2019 (for the year ended March 31, 2018: 177,467 thousand tenge). Compensation to key management personnel consists of salaries and other benefits in accordance with the Company's policy.

20. COMMITMENTS AND CONTINGENCIES

Legal claims

The Company participates in various legal proceedings related to its business activities, such as claims for compensation for property damage. The Company does not believe that potential claims individually or in the aggregate may have any material adverse effect on its financial position or the results of its operations.

The Company estimates the likelihood of material liabilities and reflects the related provision in its financial statements only when it is reasonably probable that the events giving rise to the liability will occur and the amount of the related liability can be reliably determined.

Kazakhstan taxation contingencies

The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during five subsequent calendar years; however, under certain circumstances a tax year may remain open for a longer period.

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Insurance

The insurance market in Kazakhstan is emerging and many forms of insurance, which are widespread in other countries, are unavailable in Kazakhstan. The Company insures the civil responsibility of the employer, and Company's vehicles in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Company bears the risk of loss with respect to the uninsured or partially insured assets and operations.

Operating lease agreements

As at March 31, 2019 and 2018 the Company has no non-cancellable operating lease agreements.

Investment related agreements

As at March 31, 2019 and 2018 the Company has no investment related agreements.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Company is exposed to various risks associated with financial instruments. Financial assets and liabilities are divided into categories in accordance with the accounting policy of the Company. The main financial instruments of the Company consist of cash and cash equivalents, accounts receivable and accounts payable. Main risks associated with the Company's financial instruments are the risks associated with fluctuations in exchange rates. The Company also manages the liquidity risk arising from financial liabilities.

The Company's risk management is coordinated by the Company's management in close cooperation with the Parent and is focused on providing short-term and medium-term cash flows to the Company to minimize exposure to volatility of the financial markets. The Company is not actively involved in trading operations of financial instruments for speculative purposes. The most significant financial risks the Company might be exposed to are presented below.

Currency risk

The Company is exposed to currency risk on purchases denominated in currencies other than tenge. These operations are mainly denominated in US dollars. The Company does not hedge its foreign exchange risk. In respect of monetary assets and liabilities denominated in foreign currencies, the Company holds a net exposure within acceptable limits by buying or selling foreign currency at exchange rates "spot" where necessary to address short-term imbalances. As at March 31, 2019 and 2018 the Company has monetary assets and liabilities denominated in foreign currencies.

Below is the effect of the impact of potential changes in exchange rates:

In thousands of tenge	Increase/decrease in US Dollar rate	Effect on profit before tax	Effect on Equity
For the year ended March 31, 2019	**+10%**	**19,727**	**19,727**
	-10%	**(19,727)**	**(19,727)**
For the year ended March 31, 2018	+10%	9,247	9,247
	-10%	(9,247)	(9,247)

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will have difficulties in receiving funds for repayment of obligations related to financial instruments. Liquidity risk may result from inability to sell a financial asset quickly at the price close to its fair value.

The Company regularly monitors the need for liquid funds, and management ensures the availability of funds in the amount sufficient for execution of any upcoming obligations.

The following table presents financial liabilities of the Company as at March 31, 2019 in the context of time left until maturity, based on undiscounted cash flows payable:

In thousands of tenge **March 31, 2019**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Cash and cash equivalents	256,199	–	–	–	–	**256,199**
Accounts receivable	–	228,302	62,335	–	–	**290,637**
	256,199	**228,302**	**62,335**	–	–	**546,836**

In thousands of tenge **March 31, 2019**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Accounts payable	–	418,777	–	–	–	**418,777**
Other current liabilities excluding pension contribution	–	17,489	–	–	–	**17,489**
	–	**436,266**	–	–	–	**436,266**

The following table presents financial liabilities of the Company as at March 31, 2018 in the context of time left until maturity, based on undiscounted cash flows payable:

In thousands of tenge **March 31, 2018**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Cash and cash equivalents	281,820	–	–	–	–	**281,820**
Accounts receivable	–	236,284	86,084	287	–	**322,655**
	281,820	**236,284**	**86,084**	**287**	–	**604,475**

In thousands of tenge **March 31, 2018**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	**Total**
Accounts payable	–	187,435	–	–	–	**187,435**
Other current liabilities excluding pension contribution	–	5,825	–	–	–	**5,825**
	–	**193,260**	**–**	**–**	**–**	**193,260**

Credit risk

Credit risk is the risk that one party on financial instrument fails to meet an obligation and will cause the other party to incur financial loss. The Company is exposed to credit risk because of its operating activities and certain investing activities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of accounts receivable.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

As at March 31, 2019 and 2018 accounts receivable had exposure to only one type of counter party. Customers with ending balance more than 10% of total receivables were as follows:

In thousands of tenge	**March 31, 2019**	March 31, 2018
INKAR	**83,875**	77,051
Emiti International	**64,747**	52,927
Medservice plus Kazakh Pharmaceutical Comp LLC	**58,694**	39,015
MEDIX	**7,033**	46,640
	214,349	**215,633**

The following table represents the amounts in current bank accounts at reporting date using Moody's agency credit ratings:

In thousands of tenge	Location	**March 31, 2019**	March 31, 2018	**March 31, 2019**	March 31, 2018
Tengri Bank JSC	Kazakhstan	**B2/stable**	B+(negative)	**201,611**	274,306
SB Sberbank JSC	Kazakhstan	**Ba3/stable**	BB+(positive)	**58,765**	7,195
Impairment losses				**(5,068)**	–
				255,308	**281,501**

As part of management of credit risk cash of the Company is deposited in Kazakhstani banks with low credit ratings.

22. CAPITAL MANAGEMENT

Capital includes charter capital and accumulated loss. The main objective of the Company's capital management is to ensure stable credit rating and adequate level of capital to support the business of the Company and maximization of shareholders' value.

The Company manages its capital in order to continue to adhere to the principle of going concern together with the maximization of profit for stakeholders by optimizing the balance of debt and equity.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is determined as the amount at which the instrument could be exchanged between knowledgeable parties on a commercial basis, except for situations with forced or liquidation sale. Since there are no significant available market mechanisms to determine fair value, for most of the Company's financial instruments, in assessing fair value, assumptions based on current economic conditions and specific risks inherent to the instruments are used. The Company believes that as at March 31, 2019 and 2018 the present value of cash and cash equivalents, accounts receivable and accounts payable is approximately equal to their fair value.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of financial instruments (continued)

The Company uses the following hierarchic structure of valuation methods to determine and disclose information about the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: valuation models for which all inputs which have significant effect on the recorded in the financial statements fair value are observable in the market, either directly or indirectly;
- Level 3: valuation models which use inputs that have significant effect on the recorded in the financial statements fair value that are not based on observable market data.

Management believes that as at March 31, 2019 and 2018, fair value of financial assets and liabilities was approximately equal to their carrying value. As at March 31, 2019 and 2018 the Company's financial assets and liabilities were carried at amortized cost. There were no transfers between Level 1, 2 and 3 for the years ended March 31, 2019 and 2018.

24. EVENTS AFTER REPORTING PERIOD

There were no events after reporting period that could have a significant impact on the financial statements of the Company as at and for the year ended March 31, 2019.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended March 31, 2019 were authorized for issue by management of the Company on April 30, 2019.