



**Ascend GmbH
Frankfurt am Main**

**Annual financial statements as at 31 March 2020
for the 2019/2020 financial year**

KBHT Steuer- und Wirtschaftsberatung GmbH
Wirtschaftsprüfungsgesellschaft

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Ascend GmbH, Frankfurt am Main

Annual Financial Statements as at 31 March 2020

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Ascend GmbH, Frankfurt am Main

Annual Financial Statements as at 31 March 2020

AUDIT OPINION OF THE INDEPENDENT AUDITOR

To Ascend GmbH, Frankfurt am Main

Audit opinions

We have audited the annual financial statements of Ascend GmbH, Frankfurt am Main, consisting of the balance sheet as at 31 March 2020, the profit and loss statement, the statement of equity and the cash flow statement for the financial year from 1 April 2019 to 31 March 2020 and the notes, including the presentation of the accounting and valuation methods.

In our opinion, based on the findings of our audit, the enclosed separate financial statements comply in all material respects with IFRS as adopted by the EU and give a true and fair view of the net assets and financial position of the Company as of 31 March 2020 and of its results of operations for the financial year from 1 April 2019 to 31 March 2020 in accordance with these requirements.

Pursuant to section 322 para. 3 sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis of judgments

We conducted our audit of the annual financial statements in accordance with section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under these rules and policies are further described in the section entitled "Auditor's Responsibility for the Audit of the Financial Statements" of our opinion. We are independent of the company in accordance with the German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinions on the financial statements.

Responsibility of the legal representatives for the annual financial statements

The legal representatives are responsible for the preparation and fair presentation of these financial statements in accordance with IFRS as adopted by the EU in all material respects, and that the annual financial statements give a true and fair view of the assets and liabilities, financial and earnings position of the company. Furthermore, the legal representatives are responsible for the internal controls which they have determined to be necessary in accordance with German generally accepted accounting principles in order to enable the preparation of annual financial statements that are free from material - intended or unintended - wrong representations.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. In addition, they have the responsibility to state matters related to the continuation of the business, if applicable. In addition, they are responsible for preparing the financial statements in accordance with the going concern principle unless there is an intention to liquidate the entity or to cease trading, or there is no realistic alternative.

Responsibility of the auditor for the audit of the annual financial statements

Our objective is 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 audit opinion which includes our audit opinion on the financial statements.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit conducted in accordance with section 317 HGB and in compliance with the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) always reveals a material misstatement. Misrepresentations may result from any breach or inaccuracy and are considered material if it could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these annual financial statements.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore we

- identify and assess the risks of material misstatement - whether intentional or unintentional - in the financial statements and the management report, plan and perform audit work in response to such risks, and obtain audit evidence that is adequate and appropriate to form the basis for our audit opinions. The risk that material misrepresentations will not be detected is higher for violations than for inaccuracies, as violations may include fraudulent interaction, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls.
- gain an understanding of the internal control system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the financial statements in order to plan audit procedures that are appropriate in the circumstances, but not with the aim of to express an opinion on the effectiveness of these systems of the Company.
- assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives.
- draw conclusions about the appropriateness of the accounting policy of going concern used by the legal representatives and, on the basis of the audit evidence obtained, whether there is material uncertainty in relation to events or circumstances that have significant doubts as to the ability of the company to act as going concern. If we conclude that there is material uncertainty, we are required to draw attention to the accompanying disclosures in the financial statements and management report or, if inaccurate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the company can no longer continue its business activities.
- We assess the overall presentation, structure and content of the separate financial statements, including the disclosures and whether the separate financial statements present the underlying transactions and events in such a way that the separate financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with IFRS as adopted by the EU.

Among other things, we discuss with the supervisors the planned scope and timing of the audit, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Ascend GmbH, Frankfurt am Main

Annual Financial Statements as at 31 March 2020

Neuss, May 21, 2020

KBHT Steuer- und Wirtschaftsberatung GmbH
Wirtschaftsprüfungsgesellschaft

Thelen
Wirtschaftsprüfer

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
FINANCIAL STATEMENTS
BALANCE SHEET AS AT 31ST MARCH, 2020

Particulars	Note No.	As at 31st March, 2020	As at 31st March, 2019
		EURO	EURO
I. ASSETS			
1 Non-current assets			
(a) Property, plant and equipment	2,1	1.685	-
(b) Other Intangible assets	2,1	25.256	-
(c) Financial assets			
(i) Loans	2,2	5.355	5.355
Non-current assets		32.296	5.355
2 Current assets			
(a) Inventories	2,3	207.472	51.333
(b) Financial assets			
(i) Trade receivables	2,4	281.363	-
(ii) Cash and cash equivalents	2,5	1.254.117	24.801
(iii) Loans	2,6	11.927	13.376
(iv) Other current financial assets	2,7	2.235	13.500
(c) Other current assets	2,8	4.299	41.548
Total Current assets		1.761.412	144.558
TOTAL ASSETS		1.793.708	149.913
II. EQUITY AND LIABILITIES			
1 Equity			
(a) Equity share capital	2,9	776.880	25.000
(b) Other equity (Refer statement of changes in equity)		(176.100)	(657.440)
Total Equity		600.780	(632.440)
2 Non-current liabilities			
(a) Financial liabilities			
(i) Borrowings	3,0	478.031	630.500
Total non-current liabilities		478.031	630.500
3 Current liabilities			
(a) Financial liabilities			
(i) Trade payables	2,10	296.186	124.719
(ii) Other financial liability	2,11	373.706	22.748
(b) Other current liabilities	2,12	45.005	4.386
Total current liabilities		714.897	151.853
TOTAL EQUITY AND LIABILITIES		1.793.708	149.913

The accompanying notes are an integral part of financial statements.

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
FINANCIAL STATEMENTS
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2020

Particulars	Note No.	For the Year ended 31st March, 2020	For the Year ended 31st March, 2019
		EURO	EURO
1 Income			
(a) Revenue from Operations	2,13	96.927	-
(b) Other Income	2,14	-	663
Total Income		96.927	663
2 Expenses			
(a) Purchases of Stock-in-Trade		285.709	51.333
(b) Changes in inventories of finished goods, Stock-in-trade and work-in-progress	2,15	(156.139)	(51.333)
(c) Employee benefits expenses	2,16	217.088	82.366
(d) Finance Costs	2,17	32.185	15.285
(e) Depreciation and amortisation expense	2,1	13.036	670
(f) Other expenses	2,18	471.829	483.110
Total Expenses		863.707	581.431
3 Profit before tax (1) - (2)		(766.780)	(580.768)
4 Tax expenses		-	-
5 Profit for the period (3) - (4)		(766.780)	(580.768)
6 Other Comprehensive Income			
(i) Foreign Currency Translation Difference		-	-
Total of Other Comprehensive Income for the period, net of tax		-	-
7 Total Comprehensive Income for the period (5) + (6)		(766.780)	(580.768)
8 Basic and diluted earnings per share	2,18	(323.693)	(290.384)

Significant Accounting Policies 1B
Notes to accounts 2

The accompanying notes are an integral part of financial statements.

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
FINANCIAL STATEMENTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

Particulars	Year ending 31st March, 2020	Year ending 31st March, 2019
	EURO	EURO
A. Cash Flow from Operating activities		
Profit before Tax	(766.780)	(580.768)
Adjustments for :		
Depreciation	13.036	670
Interest Expense	32.185	15.285
Operating Profit before Working Capital Changes	(721.559)	(564.813)
Adjustments for :		
Increase in Trade Receivable	(281.363)	-
Increase in Loans and other financial assets	12.714	(32.231)
Increase in Inventories	(156.139)	(51.333)
Increase in Other current assets	37.249	(41.548)
Increase in Trade Payables	171.470	117.397
Increase in Other financial liabilities	350.958	15.850
Increase in Other current liabilities	40.619	4.386
Cash (used in) / Generated from Operations	(546.051)	(552.292)
Net cash (used in) /generated from operating activities	(546.051)	(552.292)
B. Cash Flow from Investing activities		
Purchase of property, plant and equipment	(2.093)	(670)
Purchase of other intangible assets	(37.884)	-
Net cash (used in) /generated from Investing activities	(39.977)	(670)
C. Cash Flow from Financing activities		
Proceeds from Long Term Borrowings	(152.469)	590.000
Proceed from issue of Shares	2.000.000	-
Interest Expense	(32.185)	(15.285)
Net cash (used in) /generated from Financing activities	1.815.345	574.715
Net Increase/(decrease) in cash and cash equivalents (A + B + C)	1.229.316	21.753
Cash and cash equivalents at the beginning of the year	24.801	3.048
Cash and cash equivalents at the end of the year	1.254.117	24.801

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31st March, 2020	As at 31st March, 2019
	EURO	EURO
Cash and Bank balances (Refer Note 2.4)	1.254.117	24.801
Exchange difference (Unrealised (Gain) / Loss)	-	-
Total	1.254.117	24.801

2) The above Cash Flow Statement has been prepared under the "Indirect Method"

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2020

EURO

(a) Equity share capital	As at 31st March, 2020		As at 31st March, 2019	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	2	25.000	2	25.000
Changes in equity share capital during the year	1	751.880	-	-
Balance at the end of the reporting period	3	776.880	2	25.000

Other Equity

EURO

Particulars	Reserves and Surplus		Other comprehensive income	Total other equity
	Capital Reserve	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2018	-	(76.672)	-	(76.672)
Total Comprehensive income for the year ended 31 March 2019				
Profit for the year	-	(580.768)	-	(580.768)
Other Comprehensive Income	-	-	-	-
Balance at 31st March, 2019	-	(657.440)	-	(657.440)
Total Comprehensive income for the year ended 31 March 2020				
Profit for the year	-	(766.780)	-	(766.780)
Other Comprehensive Income	-	-	-	-
Capital Reserve - issue of new share	1.248.120	-	-	1.248.120
Balance at 31st March, 2020	1.248.120	(1.424.220)	-	(176.100)

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.

1A GENERAL INFORMATION

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

1B SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of preparation of Financial Statements:

a) Statement of compliance

The financial statements of the Company as at and for the year ended 31st March, 2020 have been prepared in accordance within all material respects with IFRS as adopted by the EU and give a true and fair view of the net assets and financial position of the Company as of 31 March 2020 and of its results of operations for the financial year from 1 April 2019 to 31 March 2020 in accordance with these requirements.

The Financial statement are prepared in EURO which is its functional currency.

b) Basis of preparation and presentation

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

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

An asset is classified as current when it is:

- 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 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 asset. There are three measurement categories into which the Company classifies its debt instruments.

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

(i) Amortised Cost

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

- 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.

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

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 Company 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:

- a) Financial assets that are debt instruments and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or other financial asset that result from transactions that are within the scope of IFRS 15

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 IFRS 9 for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

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

Interest income

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Reclassification of financial assets

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

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

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

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

(b) Financial Liabilities

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

Classification

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

Initial recognition and measurement

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

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

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

Financial liabilities at fair value through profit and loss

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

Financial liabilities measured at amortised cost

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

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

Derecognition of financial liabilities

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

(c) Offsetting financial instruments

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

1,3 Foreign currencies

i. Foreign currency transactions

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

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

1,4 Borrowing Costs:

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

1,5 Earnings per share ('EPS')

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

1,6 Property, plant and equipment

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

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of buildings, IT equipment and other equipment.

1,7 Other intangible assets

Intangible assets are carried at cost less accumulated amortisation and impairment losses, if any. The cost of an intangible asset comprises of its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities), and any directly attributable expenditure on making the asset ready for its intended use.

Expenditure on research and development eligible for capitalisation are carried as Intangible assets under development where such assets are not yet ready for their intended use.

1,8 Revenue Recognition:

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

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

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

1,9 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.

1,10 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.

1,11 Inventories:

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

2.1 Property, Plant and Equipment

Euro

Particulars	Property plant and equipment		Other Intangible Assets	
	Office Equipments	Total	Right to use	Total
At Cost				
As at 1 April 2018	-	-	-	-
Additions	670	670	-	-
Adjustments	-	-	-	-
Deletions	-	-	-	-
As at 31st March, 2019	670	670	-	-
Additions	2.093	2.093	37.884	37.884
Adjustments	-	-	-	-
Deletions	-	-	-	-
As at 31st March, 2020	2.763	2.763	37.884	37.884
Depreciation and Amortization				
As at 1 April 2018	-	-	-	-
Additions	670	670	-	-
Adjustments	-	-	-	-
Deletions	-	-	-	-
As at 31st March, 2019	670	670	-	-
Additions	408	408	12.628	12.628
Adjustments	-	-	-	-
Deletions	-	-	-	-
As at 31st March, 2020	1.078	1.078	12.628	12.628
Net Book Value				
As at 31st March, 2019	-	-	-	-
As at 31st March, 2020	1.685	1.685	25.256	25.256

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

Particulars	As at 31st March, 2020	As at 31st March, 2019
	EURO	EURO
2,2 : NON CURRENT LOANS:		
Considered Good - unsecured		
Security deposits	5.355	5.355
TOTAL	5.355	5.355
2,3 : INVENTORIES:		
Stock-in-trade	207.472	51.333
TOTAL	207.472	51.333
2,4 : TRADE RECEIVABLES:		
(Unsecured)		
Considered good	281.363	-
Considered doubtful	-	-
Less: Impairment allowances	-	-
TOTAL	281.363	-
2,5 : CASH AND CASH EQUIVALENTS:		
Balance with Banks:		
In Current Accounts	1.254.117	24.801
TOTAL	1.254.117	24.801
2,6: LOANS:		
Loans and Advances to Employees	11.927	13.376
TOTAL	11.927	13.376
2,7 : OTHER CURRENT FINANCIAL ASSETS:		
Other Receivables	2.235	13.500
TOTAL	2.235	13.500
2.8 : OTHER CURRENT ASSETS:		
Balances with Government Authorities	-	37.249
Prepaid Expenses	4.299	4.299
TOTAL	4.299	41.548

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

Particulars		As at 31st March, 2020		As at 31st March, 2019	
		EURO		EURO	
2,9 : EQUITY SHARE CAPITAL:					
<u>Authorised:</u>					
1 Equity Share of EURO 751,880/-		776.880		25.000	
1 Equity Share of EURO 250/- and					
1 Equity Share of EURO 24,750/-					
(Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-)		776.880		25.000	
ISSUED, SUBSCRIBED & PAID-UP :					
1 Equity Share of EURO 751,880/-		776.880		25.000	
1 Equity Share of EURO 250/- and					
1 Equity Share of EURO 24,750/-					
(Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EURO 24,750/-)					
TOTAL		776.880		25.000	
(a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the period:					
Particulars	As at 31st March, 2020		As at 31st March, 2019		
	Number	EURO	Number	EURO	
At the commencement of the year	2	25.000	2	25.000	
Addition during the year	1	751.880	-	-	
At the end of the year	3	776.880	2	25.000	
(b) Details of shareholders holding more than 5% shares in the Company:					
Name of the shareholders:	As at 31st March, 2020		As at 31st March, 2019		
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding	
Alkem Laboratories Limited	3	100,00%	2	100,00%	
<u>OTHER EQUITY</u>					
Capital Reserve:					
At the commencement and at end of the period/year				-	-
Add: Addition during the year				1.248.120	-
Closing Balance				1.248.120	-
Retained Earnings:					
At the commencement of the period/year				(657.440)	(76.672)
Add: Profit for the period/year				(766.780)	(580.768)
At the end of the period/year				(1.424.220)	(657.440)
TOTAL				(176.100)	(657.440)
3 : NON CURRENT BORROWINGS:					
<u>Unsecured:</u>					
Loans and Advances from related parties				475.000	630.500
Lease liability				3.031	-
TOTAL				478.031	630.500
Notes:					
1) Euro 475,000 (P.Y. 550,000) taken from fellow subsidiary - Ascend Laboratories (UK) Ltd @ 3% p.a. Tenure of Loan - 12 months, renewed automatically unless cancelled by either parties.					
2) P.Y. Euro 80,500 taken from holding company - Alkem Laboratories Ltd @ 9% p.a. Tenure of Loan - 12 months, renewed automatically unless cancelled by either parties. This loan has been repaid in the current year.					
2.10 : TRADE PAYABLES:					
Trade payables towards goods and services received				296.186	124.719
TOTAL				296.186	124.719
2,11 : OTHER FINANCIAL LIABILITIES					
Interest accrued but not due on borrowings				11.059	18.851
Lease liability				17.993	-
Accrual for Expenses				344.654	3.897
TOTAL				373.706	22.748

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)
NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

Particulars	For the year ended 31st March, 2020	For the year ended 31st March, 2019
	EURO	EURO
2,12 : OTHER CURRENT LIABILITIES:		
Due to statutory authorities*	45.005	4.386
* Statutory dues payable includes Social security expense payable and wage tax payable	-	-
TOTAL	45.005	4.386
2,13 : REVENUE FROM OPERATIONS:		
Sale of products	96.927	-
	96.927	-
2,14: OTHER INCOME:		
Other Income	-	663
TOTAL	-	663
2,15 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:		
Opening Stock:		
Stock in trade	51.333	-
	51.333	-
Less: Closing stock:		
Stock in trade	207.472	51.333
	207.472	51.333
TOTAL	-156.139	-51.333
2,16: EMPLOYEE BENEFITS EXPENSE:		
Salaries, wages and bonus	194.940	68.290
Contribution to provident and other funds	22.148	14.076
TOTAL	217.088	82.366
2,17: FINANCE COST:		
Interest on borrowings	30.669	14.928
Other borrowing cost	1.515	357
TOTAL	32.185	15.285
2,18: OTHER EXPENSES:		
Rent	190	15.113
Insurance	5.698	2.052
Selling and distribution expenses	309.790	18.252
Legal and professional Fees	130.284	407.184
Travelling and conveyance	5.776	1.796
Communication and printing expenses	5.770	-
License, registration & technology fees	1.109	37.992
Applicable net gain/loss on foreign currency transactions and translation	1.009	-
Miscellaneous expenses	12.203	721
TOTAL	471.829	483.110

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)**NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020****2,19 Earnings per share (EPS)****EURO**

Particulars			Year ended 31st March, 2020	Year ended 31st March, 2019
Profit /(loss) after tax attributable to equity shareholders	EURO	A	(766.780)	(580.768)
Number of equity shares at the beginning of the year	Nos.		2	-
Equity shares issued during the period	Nos.		1	-
Number of equity shares outstanding at the end of the year	Nos.		3	-
Weighted average number of equity shares outstanding during the year	Nos.	B	2	2
Basic and diluted earnings per equity share (Euro)	EURO	(A / B)	(323.693)	(290.384)

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

2,20 Information on related party transactions for the year ended 31 March 2020

List of related parties and their relationship

A Company whose control exists

Name of the Company	Country of Incorporation
Alkem Laboratories Limited	India

B Fellow Subsidiaries

Name of the Company	Country of Incorporation
Cachet Pharmaceuticals Pvt. Ltd	India
Indchemie Health Specialities Pvt. Ltd.	India
Enzene Biosciences Ltd.	India
Alkem Foundation	India
The Pharmanetwork, LLC (wholly owned subsidiary of S & B holdings B.V.)	United States of America
Ascend Laboratories, LLC (wholly owned by The Pharma Network, LLP)	United States of America
S & B Pharma Inc.	United States of America
Ascend Laboratories (UK) Ltd.	United Kingdom
S & B Holdings B.V.	Netherlands
Alkem Laboratories (PTY) Limited	South Africa
Ascend Laboratories Ltd.	Canada
The Pharma Network, LLP	Kazakhstan
Ascends Laboratories SpA	Chile
Pharma Network SpA (Wholly owned by Ascend Laboratories SpA)	Chile
Alkem Laboratories Corporation	Philippines
Pharmacor Pty Limited	Australia
Ascends Laboratories SDN BHD.	Malaysia
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
Ascend Laboratories SAS (w.e.f. 4th June, 2019)	Colombia

C Key Managerial Personnel ("KMP")

Name of the KMP	Relationship
Mr.Amit Ghare	Director

Details of Transactions with Related Parties

Sr. No.	Particulars	EURO
1	Loans taken - Holding Company	- (40.000)
2	Loans repaid - Holding Company	80.500 -
3	Loans taken - Fellow subsidiary	475.000 (550.000)
4	Loans repaid - Fellow subsidiary	550.000 -
5	Interest expense on loans taken - Holding Company	7.327 (5.811)
6	Interest expense on loans taken - Fellow subsidiary	23.342 (9.117)
7	Purchase of stock in trade - Fellow subsidiary	- (51.333)
8	Reimbursement of expenses from Holding Company	2.235 (13.500)

Balance due from / to the related Parties

Sr. No.	Particulars	EURO
1	Borrowings - Holding Company	- (80.500)
2	Borrowings - Fellow subsidiary	475.000 (550.000)
3	Trade payables - Fellow subsidiary	- (51.333)
4	Other receivables - Holding Company	2.235 (13.500)
5	Interest accrued on loan - Holding Company	- (9.734)
6	Interest accrued on loan - Fellow subsidiary	11.059 (9.117)

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

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

2.22 Financial instrument fair values and risk management

A. Accounting classification and fair values

Particulars	Carrying amount as at 31st March, 2020 (Euro)			
	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets				
Cash and Cash Equivalents	-	-	1,254.117	1,254.117
Loans (current and non current)	-	-	17.282	17.282
Other Current financial asset	-	-	2.235	2.235
Trade and other receivable	-	-	281.363	281.363
	-	-	1,554.996	1,554.996
Financial liabilities				
Long term borrowings (Including current maturity of Long term borrowings)	-	-	478.031	478.031
Trade and other payables	-	-	669.893	669.893
	-	-	1,147.923	1,147.923

Particulars	Carrying amount as at 31st March, 2019 (Euro)			
	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets				
Cash and Cash Equivalents	-	-	24.801	24.801
Loans (current and non current)	-	-	18.731	18.731
Other Current financial asset	-	-	13.500	13.500
Trade and other receivable	-	-	-	-
	-	-	57.032	57.032
Financial liabilities				
Long term borrowings (Including current maturity of Long term borrowings)	-	-	630.500	630.500
Trade and other payables	-	-	147.467	147.467
	-	-	777.967	777.967

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

- Credit risk ;
- Liquidity risk ;
- Market risk

i. Risk management framework

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

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.

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)**NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020****2.22 Financial instrument fair values and risk management****ii. Credit risk**

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

The carrying amount of following financial assets represents the maximum credit exposure:

Trade and other receivables

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.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the Company may have a secured claim. The Company does not otherwise require collateral in respect of trade and other receivables

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables.

At 31st March, 2020 and At 31st March, 2019 respectively the maximum exposure to credit risk for trade and other receivables by geographic region was as follows:

Particulars	EURO	
	31st March, 2020	31st March, 2019
Germany	281.363	-
Other regions	-	-
	281.363	-

Company has exposure to following customer's, having balance more than 10% of the total receivables.

Customers Name	31st March, 2020		31st March, 2019	
	Amount	%	Amount	%
Alliance Healthcare Deutschland AG	72.621	26%	-	-
Gehe Pharma Handel GmbH	40.098	14%	-	-
NOWEDA Apothekergenossenschaft eG	56.305	20%	-	-
Sanacorp Pharmahandel GmbH	57.243	20%	-	-
Total	226.267		-	

Impairment

At 31st March 2020 and At 31st March 2019, the ageing of trade and other receivables that were not impaired was as follows:

Particulars	EURO	
	31st March, 2020	31st March, 2019
Neither past due nor impaired	232.184	-
Past due 1–180 days	44.266	-
Past due more than 180 days	4.913	-
	281.363	-

Management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

2.22 Financial Instruments - Fair Value and Risk Management**iii. Liquidity risk**

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

Exposure to liquidity risk

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

31st March, 2020	Contractual cash flows						
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
EURO							
Non-derivative financial liabilities							
Borrowings	478.031	478.031	-	-	478.031	-	-
Trade and other payables	669.893	669.893	-	669.893	-	-	-

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
EURO							
Non-derivative financial liabilities							
Borrowings	630.500	630.500	-	-	630.500	-	-
Trade and other payables	147.467	147.467	-	-	147.467	-	-

iii. Market risk

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

Currency risk

The Company is exposed to currency risk on account of its trade payables in foreign currency. The functional currency of the Company is EURO. The Company has no exposure to GBP in current year (Trade payables was GBP 44,028 31st March, 2019).

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

Currency	Year end spot rate	
	31st March 2020	31st March 2019
GBP	-	1,16

Currency	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
10% movement in GBP	-	-	-	-

Interest rate risk

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

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

2,23 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, 2020 was as follows.

Particulars	As at 31st March, 2020	As at 31st March, 2019
	EURO	EURO
Total borrowing	478.031	630.500
Less : Cash and cash equivalent	-1.254.117	-24.801
Adjusted net debt	(776.086)	605.699
Total equity	600.780	-632.440
Less : Hedging reserve	-	-
Adjusted equity	600.780	(632.440)
Adjusted net debt to adjusted equity ratio	(1,29)	(0,96)

2,24 Disclosure as per IFRS 15:

Reconciliation the amount of revenue recognised in the statement of profit and loss with the contracted price:

Particulars	For year ended 31st March, 2020	For year ended 31st March, 2019
	EURO	EURO
Revenue as per contracted price	450.751	-
Adjustments:		
Discount	6.979	-
Rebates/refunds	346.845	-
Revenue from contract with customers	96.927	-
Other operating revenue	-	-
Revenue from Operations	96.927	-

2,25 Payment to auditors

Particulars	For year ended 31st March, 2020	For year ended 31st March, 2019
	EURO	EURO
As Auditor		
Audit fees	7.000	-
In other capacity		
In any other services such as certification, etc.	-	-
Total	7.000	-

2,26 Segment Reporting

The Company is in the pharmaceutical business. As the Company has a single reportable segment, the segment wise disclosure as per IFRS is not applicable. In compliance to the said standard, Entity-Wise disclosures are as under :

Sr	Particulars	For year ended 31st March, 2020	For year ended 31st March, 2019
		EURO	EURO
a)	Revenues from sale of products from external		
	Revenue from sale of products from the Country of Domicile- Germany	96.927	-
	Revenue from foreign countries	-	-
		96.927	-

b) Major Customers having external revenue (Gross revenue before rebates) exceeded 10% of total revenue

EURO

Customer Name	31st March, 2020		31st March, 2019	
	Sales Value	Cont %	Sales Value	Cont %
Alliance Healthcare Deutschland AG	97.816	21%	-	-
Gehe Pharma Handel GmbH	49.430	11%	-	-
Noweda Belegmanagement	104.924	23%	-	-
Phoenix Pharmahandel GmbH & Co.KG	86.961	19%	-	-
Sanacorp Pharmahandel GmbH	75.033	16%	-	-

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

ASCEND GMBH (FORMERLY KNOWN AS ALKEM PHARMA GMBH)

NOTE 2: NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

2,27 Non-Adjusting Events Reporting

Covid-19, which was initially detected in Wuhan, Hubei province of China in December 2019, has gradually spread in more than 200 countries across the world including India and Germany. In order to slow down the spread of this virus, a lot of restrictions are imposed in several countries in terms of movement of people and goods. The Indian Government also enforced a nationwide lockdown from 23rd of March 2020, which impacted the manufacturing and supply chain of almost all the companies in India. However several relaxations were allowed for pharmaceutical companies to ensure that there was no shortages of medicines.

While the Company's manufacturing and supply chain in India faced some challenges for a limited period of time due to the above restrictions, the Company ensured uninterrupted supply of its products in the German market. This was due to optimal levels of inventory of raw material and finished drugs that the Company maintains to tide over such uncertain times. As the Government restrictions are getting relaxed in the phased manner, the manufacturing and supply chain issues are normalising and the problems of shortages / delay in shipping of drugs are also getting addressed in a better manner.

As per our attached report of even date

General Engagement Terms

for

Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften

[German Public Auditors and Public Audit Firms]
as of January 1, 2017

1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: The German term "*Textform*" means in written form, but without requiring a signature] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.