

**The Pharma Network LLP**

**Financial statements**

**For the year ended March 31, 2021**

*with Independent auditor's report*

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## **INDEPENDENT AUDITOR'S REPORT**

To the Participants and Management of The Pharma Network LLP

### **Opinion**

We have audited the financial statements of The Pharma Network LLP (the "Company"), which comprise the statement of financial position as at March 31, 2021, and the statement of 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, 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

### **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 responsibility for the audit of financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applicable to the audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibility 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 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 have no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Company'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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the separate financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.





We communicate with those charged with governance, 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.

The engagement partner on the audit resulting in this independent auditor's report is Yerlan Islambekov.



Yerlan Islambekov  
Auditor / Director  
Baker Tilly Qazaqstan Audit LLP

The image shows a handwritten signature in blue ink over two circular blue ink stamps. The larger stamp on the left contains the text "bakertilly" in the center, with "Қазақстан Республикасының Аудиторлық Палатасы" (Audit Chamber of the Republic of Kazakhstan) around the top and "Baker Tilly Qazaqstan Audit LLP" around the bottom. The smaller stamp on the right contains the text "АУДИТОР Біліктілік куәлігі" (Auditor Qualification Certificate) and "№МФ-0000185" in the center, with "Қазақстан Республикасының Аудиторлық Палатасы" around the top and "Министерство финансов Республики Казахстан" (Ministry of Finance of the Republic of Kazakhstan) around the bottom.

Auditor qualification certificate #МФ-0000185 dated May 29, 2014

State audit license for audit activities on the territory of the Republic of Kazakhstan №20001291, issued by the Ministry of Finance of the Republic of Kazakhstan on January 23, 2020

April 25, 2021

**STATEMENT OF FINANCIAL POSITION**  
As of March 31, 2021

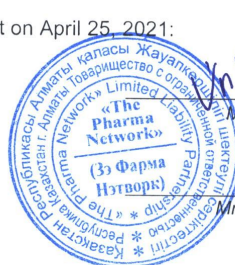
<i>In thousands of Tenge</i>	<b>Notes</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	30,890	52,720
Intangible assets	6	–	–
Deferred tax assets	18	34,251	14,362
		65,141	67,082
<b>Current assets</b>			
Inventories	7	1,235,012	822,099
Advances paid	8	9,753	11,888
Trade receivables	9	327,883	269,615
Cash and cash equivalents	10	56,829	320,818
Other current assets		7,969	6,025
		1,637,446	1,430,445
<b>TOTAL ASSETS</b>		<b>1,704,284</b>	<b>1,497,527</b>
<b>EQUITY</b>			
Share capital	11	832,162	832,162
Accumulated deficit		(277,303)	(292,669)
<b>TOTAL EQUITY</b>		<b>554,859</b>	<b>539,493</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	12	1,101,157	905,762
Contract liabilities		6,674	–
Liabilities for other taxes and obligatory payments to budget	13	10,974	14,384
Other current liabilities	14	28,923	37,888
		1,145,478	958,034
<b>TOTAL LIABILITIES</b>		<b>1,145,478</b>	<b>958,034</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,704,284</b>	<b>1,497,527</b>

The notes to the financial statements form an integral part of these financial statements.

Signed and approved of issue on behalf of Management on April 25, 2021:

General Director

Commercial Director



Mr. Parikh V.G.

Mr. Kongenti C.S.

## STATEMENT OF COMPREHENSIVE LOSS

For the year ended March 31, 2021

<i>In thousands of Tenge</i>	<b>Notes</b>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
Revenue	15	1,468,722	1,336,878
Cost of sales	16	(658,502)	(515,235)
<b>Gross profit</b>		<b>810,220</b>	<b>821,643</b>
General and administrative expenses	17	(848,577)	(810,068)
Foreign exchange gain / (loss), net		32,105	(95,873)
Other income, net		2,223	(5,726)
<b>Operating loss</b>		<b>(4,029)</b>	<b>(90,024)</b>
Finance income	18	1,604	8,386
<b>Profit / (loss) before income tax</b>		<b>(2,425)</b>	<b>(81,638)</b>
Corporate income tax benefit / (expense)	20	17,791	(2,668)
<b>Net income / (loss) for the year</b>		<b>15,366</b>	<b>(84,306)</b>
Other comprehensive income		-	-
<b>Total comprehensive income / (loss)</b>		<b>15,366</b>	<b>(84,306)</b>

*The notes to the financial statements form an integral part of these financial statements.*

Signed and approved of issue on behalf of Management on April 25, 2021:

General Director

Commercial Director



Parikh V.G.

Kongenti C.S.

**STATEMENT OF CHANGES IN EQUITY**  
 For the year ended March 31, 2021

<i>In thousands of Tenge</i>	<b>Share capital</b>	<b>Accumulated deficit</b>	<b>Total</b>
<b>As of April 1, 2019</b>	832,162	(208,363)	<b>623,799</b>
<i>Net loss for the year</i>	-	(84,306)	<b>(84,306)</b>
<i>Other comprehensive income</i>	-	-	-
<i>Total comprehensive loss for the year</i>	-	(84,306)	<b>(84,306)</b>
<b>As at March 31, 2020</b>	832,162	(292,669)	<b>539,493</b>
<i>Net income for the year</i>	-	15,366	<b>15,366</b>
<i>Other comprehensive income</i>	-	-	-
<i>Total comprehensive income for the year</i>	-	15,366	<b>15,366</b>
<b>As at March 31, 2021</b>	832,162	(277,303)	<b>554,859</b>

*The notes to the financial statements form an integral part of these financial statements.*

Signed and approved of issue on behalf of Management on April 25, 2021:

General Director

Commercial Director



**STATEMENT OF CASH FLOWS**  
 For the year ended March 31, 2021

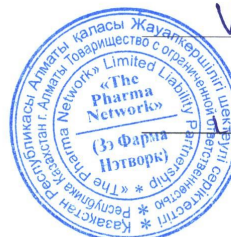
<i>In thousands of Tenge</i>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
<b>OPERATING ACTIVITIES:</b>		
Profit / (loss) before income tax	(2,704)	(81,638)
<b>Adjustments for non-cash items:</b>		
Depreciation and amortization	21,604	23,412
Provision for obsolete and slow-moving inventories	66,135	(3,151)
Provision for expected credit losses	26,120	(1,881)
Finance income	(1,405)	(8,386)
Gain on disposal of property, plant and equipment	(2,224)	(5,039)
Foreign exchange gain, net	(32,105)	95,873
<b>Change in working capital:</b>		
Change in inventories	(479,048)	(341,026)
Change in advances paid	2,135	1,828
Change in trade receivables	(59,371)	22,903
Change in other current assets	(1,896)	(115)
Change in trade payables	326,261	359,085
Change in contract liabilities	6,674	(1,018)
Change in liabilities for other taxes and payments to the budget	(2,747)	2,985
Change in other current liabilities	(8,965)	(15,508)
Income tax paid	(141,536)	48,324
Interest received	(2,482)	—
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(142,619)</b>	<b>56,814</b>
<b>INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(1,050)	(24,886)
Proceeds from sale of property, plant and equipment	3,200	5,285
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>2,150</b>	<b>(19,601)</b>
Net cash flows for the year	(140,469)	37,213
Foreign exchange differences in cash and cash equivalents	(98,506)	36,252
Provision for expected credit losses in respect of cash and cash equivalents	(25,014)	(8,846)
Cash and cash equivalents, at the beginning of the year	320,818	256,199
<b>Cash and cash equivalents, at the end of the year</b>	<b>56,829</b>	<b>320,818</b>

*The notes to the financial statements form an integral part of these financial statements.*

Signed and approved of issue on behalf of Management on April 25, 2021:

General Director

Commercial Director



*Vm Parikh*  
Mr. Parikh V.G.

*O. C. M.*  
Mr. Kongenti C.S.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2021

**1. CORPORATE INFORMATION**

The Pharma Network LLP (the «Company») was established on August 16, 2012 as a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan.

As of March 31, 2021 and 2020, the Company's shareholders structure was presented as follows:

#	Name of the shareholder	March 31, 2021		March 31, 2020	
		Share, %	Amount	Share, %	Amount
1	Alkem Laboratories Limited (India)	100.00%	832,162	100.00%	832,162
		100.00%	832,162	100.00%	832,162

The shares of Alkem Laboratories Limited (the «Parent») are listed on the Bombay Stock Exchange and the National Stock Exchange of India.

The main business 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 Control Committee for Medical and Pharmaceutical Activities to engage in wholesale of pharmaceutical drugs.

The legal address of the Company: The Republic of Kazakhstan, Almaty, 21B, Konayev St.

These financial statements were approved for issue by Management of the Company on April 25, 2021.

**2. BASIS OF PREPARATION**

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

The financial statements have been prepared on a historical cost basis. The separate financial statements are presented in Tenge and all values are rounded to the nearest thousands, except when otherwise indicated.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Current versus non-current classification of assets and liabilities**

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is a current when it is:

- expected to be realized or intended to sold or consumed within the normal operating cycle;
- held primarily for purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- 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.

**NOTES TO THE FINANCIAL STATEMENTS**For the year ended March 31, 2021

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Fair value measurement**

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained below (*Note 25*).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**Revenue from contracts with customers**

The Company's main activities include purchase and subsequent wholesale of pharmaceutical drugs. Revenue is recognized if the Company estimates that it is likely to obtain economic benefits and, if the revenue can be reliably estimated, regardless of the time of payment. Revenue is measured at the fair value of the consideration received or receivable, subject to contractual terms of payment and net of taxes or duties

*Sale of pharmaceutical drugs*

Revenue from sale of pharmaceutical drugs is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. The normal credit term is up 90 days upon delivery.

The Company concluded that it is the principal in all revenue-generating contracts it has entered into, since in all cases it is the main party that has assumed obligations under the contract, sets prices, and is exposed to the risk of inventory impairment and credit risk.

**Contract balances***Trade receivables*

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in *Financial instruments – initial recognition and subsequent measurement* section.

**Expenses**

Expenses are recorded at the time of the actual receipt of the relevant goods or services, independent of when the cash and cash equivalents have been paid and are reported in the financial statements in the period to which they relate on the accrual basis.

**Taxes***Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the Kazakhstan.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Taxes (continued)***Current income tax (continued)*

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**Deductions from employee benefits**

The Company pays social tax and social contributions in accordance with the tax legislation of the Republic of Kazakhstan at the rates of 9.5% and 3.5%, respectively, and compulsory health insurance at the rate of 2% from January 1, 2020, as well as withholds and pays medical insurance at the rate 2% of the salary.

The Company withholds obligatory pension contributions at the rate 10% of the salary of its employees as contributions to their pension funds.

The Company also withholds income tax from employees' wages at the rate of 10%, and pays it to the budget of the Republic of Kazakhstan.



**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2021

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Foreign currencies**

The Company's financial statements are presented in Tenge, which is also the Company's functional currency.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Company at the spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The weighted average exchange rates established on the Kazakhstan Stock Exchange (hereinafter referred to as "KASE") are used as official exchange rates in the Republic of Kazakhstan.

In preparing these financial statements, the following exchange rates were applied to Tenge:

	Closing exchange rate		Average exchange rate	
	March 31, 2021	March 31, 2020	For the year ended March 31, 2021	For the year ended March 31, 2020
US Dollar	424.34	448.01	420.47	386.25
Euro	498.13	495.86	490.51	429.21
Russian Rouble	5.59	5.64	5.67	5.96

**Property and equipment**

Property, plant and equipment are stated at cost less accumulated impairment losses, if any.

The historical cost of assets includes the acquisition cost, including import duties and taxes not recoverable, borrowing costs in case of long-term construction of the project, and any direct costs associated with bringing the asset into working order and delivery to the place of intended use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets:

Category of property, plant and equipment	Estimated useful life, years
Furniture and fixtures	7 years
Vehicles	4 years
Office equipment	3 - 7 years
Other	7-10 years

An item of property, plant and equipment and any initially recognized significant component of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from their use or disposal. A gain or loss on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively as necessary.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Leases**

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In respect of either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on a straight-line basis.

*Company as a lessee*

At the commencement date, the Company recognises a right-of-use asset and a lease liability. At the commencement date, the Company measures the right-of-use asset at cost. the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the incremental borrowing rate.

*Company as a lessor*

The Company classifies each of its leases as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

*Finance leases*

At the commencement date, the Company recognises assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. The Company recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

*Operating leases*

The Company recognises lease payments from operating leases as income on a straight-line basis.

**Inventories**

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each item to its present location and condition are accounted for on a WAM (weighted average method) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated selling costs.

**Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

**NOTES TO THE FINANCIAL STATEMENTS**For the year ended March 31, 2021

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of non-financial assets (continued)**

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**Financial instruments – initial recognition and subsequent measurement**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets***Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially 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. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial assets (continued)***Initial recognition and measurement (continued)*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

*Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended March 31, 2021

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Impairment of financial assets**

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- disclosures for significant assumptions (*Note 4*);
- trade receivables (*Note 7*).

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities***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 payables.

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below.

*Trade payables*

After initial recognition, trade payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial liabilities (continued)***Derecognition*

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above.

**Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

*Amendments to IFRS 3: Definition of a Business*

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****New and amended standards and interpretations (continued)***Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

*Amendments to IAS 1 and IAS 8 Definition of Material*

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

*Conceptual Framework for Financial Reporting issued on March 29, 2018*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

*Amendments to IFRS 16 Covid-19 Related Rent Concessions*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

**Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Standards issued but not yet effective (continued)***IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Reference to the Conceptual Framework – Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.



**NOTES TO THE FINANCIAL STATEMENTS****For the year ended March 31, 2021**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Standards issued but not yet effective (continued)***Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

*Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

*IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

**NOTES TO THE FINANCIAL STATEMENTS**For the year ended March 31, 2021

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Standards issued but not yet effective (continued)***IAS 41 Agriculture – Taxation in fair value measurements*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

**Judgments**

In applying the Company's accounting policies, management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

**Revenue from contracts with customers**

The Company's main activities include purchase and subsequent wholesale of pharmaceutical drugs. Revenue is recognized if the Company estimates that it is likely to obtain economic benefits and, if the revenue can be reliably estimated, regardless of the time of payment. Revenue is measured at the fair value of the consideration received or receivable, subject to contractual terms of payment and net of taxes or duties

*Sale of pharmaceutical drugs*

Revenue from sale of pharmaceutical drugs is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the product. The normal credit term is up 90 days upon delivery.

The Company concluded that it is the principal in all revenue-generating contracts it has entered into, since in all cases it is the main party that has assumed obligations under the contract, sets prices, and is exposed to the risk of inventory impairment and credit risk.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended March 31, 2021**

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**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(CONTINUED)****Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

*Estimated allowance for expected credit losses on receivables*

For accounts receivable, the Company uses a simplified approach in calculating ECL. Consequently, the Company does not monitor changes in credit risk, but instead recognizes a loss allowance at each reporting date in an amount equal to lifetime expected credit losses. The Company used a provisioning allowance matrix based on its experience of incurring credit losses, adjusted for forward-looking factors specific to borrowers and general economic conditions.

*Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

*Taxes*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the tax losses can be offset. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the probable timing and amount of future taxable profit and tax planning strategy.

*Measurement of financial instruments at fair value*

In cases where the fair value of financial assets and financial liabilities recognized in the statement of financial position cannot be determined based on quoted prices in active markets, it is determined using valuation techniques, including a discounted cash flow model. Observable markets are used as inputs to these models whenever possible, but where this is not practicable, some judgment is required to establish fair values. Judgments include considering inputs such as liquidity risk, credit risk, and volatility. Changes in assumptions about these factors could affect the fair value of financial instruments as reported in the financial statements.

*Useful lives of property, plant and equipment*

The Company estimates the remaining useful lives of property, plant and equipment at the end of each reporting period. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates can have a significant effect on the carrying amount of property, plant and equipment and depreciation recognized in the statement of comprehensive loss. The company did not revise the useful life of property, plant and equipment in the reporting year.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 5. PROPERTY AND EQUIPMENT

As at March 31, 2021 and 2020 property and equipment were presented as follows:

<i>In thousands of Tenge</i>	<b>Furniture and fixtures</b>	<b>Vehicles</b>	<b>Computres</b>	<b>Total</b>
<b>Cost:</b>				
As at April 1, 2019	3,797	135,650	7,046	146,493
Additions	—	23,598	1,212	24,810
Disposals	(11)	(2,563)	(998)	(3,572)
As at March 31, 2020	3,786	156,685	7,260	167,731
Additions	—	—	1,050	1,050
Disposals	(513)	(3,150)	(2,556)	(6,219)
<b>As at March 31, 2021</b>	<b>3,273</b>	<b>153,535</b>	<b>5,754</b>	<b>162,562</b>
<b>Accumulated depreciation:</b>				
As at April 1, 2019	(1,310)	(89,891)	(3,800)	(95,001)
Depreciation charge	(484)	(21,617)	(1,235)	(23,336)
Depreciation on disposal	10	2,563	753	3,326
As at March 31, 2020	(1,784)	(108,945)	(4,282)	(115,011)
Depreciation charge	(275)	(20,389)	(940)	(21,604)
Depreciation on disposal	36	3,149	1,758	4,943
<b>As at March 31, 2021</b>	<b>(2,023)</b>	<b>(126,185)</b>	<b>(3,464)</b>	<b>(131,672)</b>
<b>Net book value:</b>				
As at April 1, 2019	2,487	45,759	3,246	51,492
As at March 31, 2020	2,002	47,740	2,978	52,720
<b>As at March 31, 2021</b>	<b>1,250</b>	<b>27,350</b>	<b>2,290</b>	<b>30,890</b>

As of March 31, 2021 the cost of fully amortized property, plant and equipment comprises 90,017 thousand Tenge (March 31, 2020: 62,995 thousand Tenge).

## 6. INTANGIBLE ASSETS

As at March 31, 2021 and 2020 intangible assets were presented as follows:

<i>In thousands of Tenge</i>	<b>Software</b>	<b>Total</b>
<b>Cost:</b>		
As at April 1, 2019	163	163
Additions	76	76
Disposals	—	—
As at March 31, 2020	239	239
Additions	—	—
Disposals	—	—
<b>As at March 31, 2021</b>	<b>239</b>	<b>239</b>
<b>Accumulated amortization:</b>		
As at April 1, 2019	(163)	(163)
Amortization charge	(76)	(76)
Amortization on disposal	—	—
As at March 31, 2020	(239)	(239)
Amortization charge	—	—
Amortization on disposal	—	—
<b>As at March 31, 2021</b>	<b>(239)</b>	<b>(239)</b>
<b>Net book value:</b>		
As at April 1, 2019	—	—
As at March 31, 2020	—	—
<b>As at March 31, 2021</b>	<b>—</b>	<b>—</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 7. INVENTORIES

As at March 31, 2021 and 2020 inventories were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Raw materials	2,561	1,383
Goods for resale	1,310,634	832,764
Less: provision for obsolete and slow-moving inventories	(78,183)	(12,048)
	<b>1,235,012</b>	<b>822,099</b>

Changes in the provision for obsolete and slow-moving inventories are as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
As at the beginning of the period	(12,048)	(15,199)
(Accrual) / reversal of provision	(66,135)	3,151
<b>As at the end of the period</b>	<b>(78,183)</b>	<b>(12,048)</b>

## 8. ADVANCES PAID

As at March 31, 2021 and 2020 advances paid were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Advances paid for goods	—	—
Advances paid for services	12,502	14,637
Less: provision for expected credit losses	(2,749)	(2,749)
	<b>9,753</b>	<b>11,888</b>

As at March 31, 2021 and 2020 advances paid by third and related parties were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Advances paid to third parties	12,502	14,637
Advances paid to related parties	—	—
Less: provision for expected credit losses	(2,749)	(2,749)
	<b>9,753</b>	<b>11,888</b>

Changes in the provision for expected credit losses in respect of advances paid were as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
As at the beginning of the period	(2,749)	(2,749)
(Accrual) / reversal of provision	—	—
<b>As at the end of the period</b>	<b>(2,749)</b>	<b>(2,749)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 9. TRADE RECEIVABLES

As at March 31, 2021 and 2020 trade receivables were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Trade receivables from third parties	345,897	281,486
Trade receivables from related parties	48	—
Less: provision for expected credit losses and cash discount	(18,062)	(11,871)
	<b>327,883</b>	<b>269,615</b>

As of March 31, 2021 and 2020, trade receivables were presented in the following currencies:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Kazakhstani Tenge	345,897	281,486
US Dollars	48	—
Less: provision for expected credit losses	(18,062)	(11,871)
	<b>327,883</b>	<b>269,615</b>

Changes in the provision for expected credit losses and cash discount in respect of trade receivables were as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
As at the beginning of the period	(11,871)	(13,752)
(Accrual) / reversal of provision	(6,191)	1,881
<b>As at the end of the period</b>	<b>(18,062)</b>	<b>(11,871)</b>

## 10. CASH AND CASH EQUIVALENTS

As of March 31, 2021 and 2020, cash and cash equivalents were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Cash in hand	4,245	1,720
Cash in current bank accounts	91,512	108,962
Cash in savings bank accounts	—	224,050
Less: provision for expected credit losses	(38,928)	(13,914)
	<b>56,829</b>	<b>320,818</b>

As of March 31, 2021 and 2020, cash in bank accounts were placed in the following banks:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
SB Sberbank JSC	53,373	86,612
Tengri Bank JSC	38,139	246,400
Less: provision for expected credit losses	(38,928)	(13,914)
	<b>52,584</b>	<b>319,098</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 10. CASH AND CASH EQUIVALENTS (CONTINUED)

Changes in the provision for expected credit losses in respect of cash and cash equivalents were as follows:

<i>In thousands of Tenge</i>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
As at the beginning of the period	(13,914)	(5,068)
(Accrual) / reversal of provision	(25,014)	(8,846)
<b>As at the end of the period</b>	<b>(38,928)</b>	<b>(13,914)</b>

As of March 31, 2021 and 2020, cash and cash equivalents were presented in the following currencies:

<i>In thousands of Tenge</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Kazakhstani Tenge	71,972	96,131
US Dollars	23,785	238,601
Less: provision for expected credit losses	(38,928)	(13,914)
	<b>56,829</b>	<b>320,818</b>

## 11. SHARE CAPITAL

As at March 31, 2021 and 2020, registered and paid share capital amounted to 832,162 thousand Tenge. The structure of the shareholders of the Company is disclosed in *Note 1*.

During the year ended March 31, 2021 and 2020 the Company did not declare and did not pay any dividends.

## 12. TRADE PAYABLES

As at March 31, 2021 and 2020 trade payables were presented as follows:

<i>In thousands of Tenge</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Trade payables to third parties	8,215	43,559
Trade payables to related parties	1,092,942	862,203
	<b>1,101,157</b>	<b>905,762</b>

As of March 31, 2021 and 2020, trade payables were presented in the following currencies:

<i>In thousands of Tenge</i>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Kazakhstani Tenge	8,215	43,559
US Dollars	1,092,942	862,203
	<b>1,101,157</b>	<b>905,762</b>

As at March 31, 2021 and 2020, trade payables are denominated in Tenge and are interest-free and repayable within 30 days, and for Parent company – 270 days.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 13. LIABILITIES FOR OTHER TAXES AND OBLIGATORY PAYMENTS TO BUDGET

As at March 31, 2021 and 2020 liabilities for other taxes and obligatory payments to budget were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Pension contributions	1,811	2,812
Personal income tax	2,734	3,903
Social tax and social contributions	3,146	3,317
Withholding tax	3,282	3,906
Other taxes	1	446
	<b>10,974</b>	<b>14,384</b>

## 14. OTHER CURRENT LIABILITIES

As at March 31, 2021 and 2020 other current liabilities were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
Provision for unused vacation	12,149	15,403
Salary payable	–	1,522
Provision for bonuses	8,239	8,939
Other provisions	7,961	12,024
Other current liabilities	574	–
	<b>28,923</b>	<b>37,888</b>

## 15. REVENUE

For the years ended March 31, 2021 and 2020 revenue was presented as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from sale of pharmaceutical drugs	1,468,722	1,336,878
	<b>1,468,722</b>	<b>1,336,878</b>

For the years ended March 31, 2021 and 2020, the Company's revenue from customers exceeding 10% of total revenue was as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	% of total revenue	For the year ended March 31, 2020	% of total revenue
MEDIX LLP	348,908	24%	29,039	2%
INKAR LLP	270,542	18%	216,460	16%
Amanat LLP	202,972	14%	230,980	17%
AK-NIET LLP	73,346	5%	183,485	14%
	<b>895,768</b>	<b>61%</b>	<b>659,964</b>	<b>49%</b>

## 16. COST OF SALES

For the years ended March 31, 2021 and 2020 cost of sales was presented as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
Cost of pharmaceutical drugs sold	(658,502)	(515,235)
	<b>(658,502)</b>	<b>(515,235)</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 17. GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended March 31, 2021 and 2020 general and administrative expenses were presented as follows:

<i>In thousands of Tenge</i>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
Payroll	(434,195)	(423,935)
Marketing	(116,377)	(181,131)
Professional services	(6,275)	(19,528)
Rent	(21,966)	(23,824)
Social tax and social contributions	(37,720)	(36,388)
Materials	(69,855)	(55,132)
Depreciation and amortization	(21,604)	(23,412)
Transportation	(360)	(835)
Repair and maintenance	(607)	(812)
Communication	(7,898)	(9,669)
Bank fees	(4,077)	(2,936)
Business trips	(4,297)	(10,748)
Utilities	(1,573)	(2,994)
Insurance	(7,924)	(7,833)
Taxes (other than income tax)	(5,161)	(3,746)
Changes in provision for obsolete and slow-moving inventories	(66,135)	3,151
Changes in provision for expected credit losses (trade receivables)	(1,106)	1,881
Changes in provision for expected credit losses (cash)	(25,014)	(8,846)
Other	(16,433)	(3,331)
	<b>(848,577)</b>	<b>(810,068)</b>

For the year ended March 31, 2021 professional services include audit services in the amount of 3.5 million Tenge.

## 18. CORPORATE INCOME TAX BENEFIT / (EXPENSE)

The Company is subject to income tax at the current official rate of 20%.

<i>In thousands of Tenge</i>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
Current corporate income tax expense	(2,098)	–
Deferred corporate income tax benefit / (expense)	19,889	(2,668)
<b>Total corporate income tax benefit / (expense)</b>	<b>17,791</b>	<b>(2,668)</b>

A reconciliation of corporate income tax applicable to profit / (loss) before income tax at the statutory income tax rate with the corporate income tax benefit / (expense) is set out below:

<i>In thousands of Tenge</i>	<b>For the year ended March 31, 2021</b>	<b>For the year ended March 31, 2020</b>
Pretax loss	(2,425)	(81,638)
Statutory corporate income tax rate	20%	20%
Corporate income tax calculated at applicable tax rate	485	16,328
<b>Permanent differences:</b>		
Changes in provision for deferred tax assets	14,363	(1,708)
Other	2,943	(17,288)
<b>Total corporate income tax benefit / (expense)</b>	<b>17,791</b>	<b>(2,668)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 18. CORPORATE INCOME TAX BENEFIT / (EXPENSE) (CONTINUED)

As at March 31, 2021 and 2020 the components of the deferred tax asset are represented by the following:

<i>In thousands of Tenge</i>	April 1, 2019	Change in temporary differences	March 31, 2020	Change in temporary differences	March 31, 2021
<b>Deferred tax assets: / (liabilities)</b>					
Provision for unused vacation	3,150	(69)	3,081	(651)	2,430
Tax losses carry-forwarded	12,655	1,708	14,363	(14,363)	–
Provision for expected credit losses (trade receivables)	3,300	(926)	2,374	221	2,595
Provision for expected credit losses (cash)	–	–	–	7,786	7,786
Taxes	427	217	644	(644)	–
Property and equipment and intangible assets	2,066	(405)	1,661	903	2,564
Provision for obsolete and slow-moving inventories	3,040	(630)	2,410	13,227	15,637
Other accrued liabilities and provision	5,047	(855)	4,192	(953)	3,239
<b>Net deferred tax assets / (liabilities)</b>	<b>17,030</b>		<b>14,362</b>		<b>34,251</b>
<b>Net change in temporary differences</b>		<b>(2,668)</b>		<b>19,889</b>	

## 19. RELATED PARTIES DISCLOSURE

For the purposes of these financial statements, related parties are parties that one of them has the ability to control or exercise significant influence over the other party's financial and operational decisions, as defined in IAS 24 related party Disclosures. When deciding whether the parties are related, the content of the relationship between the parties is taken into account, not just their legal form.

For the purpose of presenting these financial statements, related parties to the Company are key management personnel and entities in which a significant percentage is owned, directly or indirectly, by key management personnel of the Company, as well as participants and entities controlled by participants.

<i>In thousands of Tenge</i>	March 31, 2021	March 31, 2020
<b>Trade receivables</b>		
Alkem Laboratories Limited, the Parent	48	–
<b>Trade payables</b>		
Alkem Laboratories Limited, the Parent	1,092,942	862,203
<i>In thousands of Tenge</i>	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue</b>		
Alkem Laboratories Limited, the Parent	45	–
<b>Purchases</b>		
Alkem Laboratories Limited, the Parent	1,168,781	865,551

## Compensation to key management personnel

Remuneration of key management personnel for the year ended March 31, 2021, including salaries, comprised 217,652 thousand Tenge (year ended March 31, 2020: 188,414 thousand Tenge). Remuneration to key personnel includes salaries and other payments in accordance with the company's internal regulations.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended March 31, 2021

**20. CONTINGENT LIABILITIES****Taxation**

Kazakhstan's tax laws and regulations are subject to constant changes and various interpretations. There are frequent cases of differences of opinion between local, regional and Republican tax authorities. The current system of fines and penalties for detected offenses based on the laws in force in Kazakhstan is very severe. Penalties include fines-usually in the amount of 50% of the amount of additional taxes accrued, and penalties accrued at the refinancing rate set by the National Bank of Kazakhstan, multiplied by 2.5. As a result, the amount of penalties and penalties may be several times higher than the amount of additional taxes to be assessed. Financial periods remain open for review by the tax authorities for 5 (five) calendar years preceding the year in which the audit is conducted. Under certain circumstances, the checks may cover longer periods. Due to the uncertainty inherent in Kazakhstan's tax system, the final amount of taxes, penalties and penalties, if any, may exceed the amount currently charged as at March 31, 2021.

Management believes that, as at March 31, 2021, its interpretation of applicable law is appropriate and it is probable that the Company's tax position will be confirmed, other than as accrued in these financial statements.

**Litigation**

In the normal course of business, the Company may be the subject of lawsuits or proceedings. In the opinion of management, there are currently no ongoing legal proceedings or claims that could have a material impact on the company's results of operations or financial position.

**21. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES****Categories of financial instruments**

As of March 31, 2021 and 2020, the Company's financial instruments were presented by the following assets and liabilities:

In thousands of Tenge	March 31, 2021	March 31, 2020
<b>Financial assets and liabilities at amortised cost:</b>		
Cash and cash equivalents	56,829	320,818
Trade receivables	327,883	269,615
Trade payables	(1,101,157)	(905,762)
	<b>(711,360)</b>	<b>(315,329)</b>

**Risk management**

The Company's principal financial liabilities include trade payables. The main purpose of these financial obligations is to Finance the Company's operations. The company's principal financial assets include trade receivable and cash (including short-term deposits) that arise directly in the course of its operating activities.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management controls the process of managing these risks. Management reviews the company's exposure to financial risks in accordance with relevant policies and procedures, and identifies and evaluates and manages financial risks in accordance with the Company's policies and risk management objectives. All operations with derivative instruments for risk management purposes are carried out by properly controlled teams of specialists with appropriate qualifications and experience. In accordance with its policy, the Company does not trade derivatives for speculative purposes. The Company's management reviews and approves the risk management policy described below.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

**21. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES (CONTINUED)****Risk management (continued)**

*Market risk* - is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk includes three types of risk: interest rate risk, currency risk and other price risks, for example, the risk of changes in the cost of rent.

*Interest rate risk* - is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The risk of changing market interest rates relates applicable to borrowings with a floating interest rate. The Company did not have interest bearing borrowings with floating interest rates.

*Currency risk* - is the risk that the fair value or future cash flows associated with the exposure to risk will fluctuate due to changes in exchange rates. The Company's exposure to the risk of changes in foreign exchange rates is primarily due to its operating activities (when trade payables are denominated in foreign currencies).

The following table presents sensitivity analysis of the Company's profit before income tax (due to changes in the carrying value of monetary assets and liabilities) to possible changes in the exchange rate of the US Dollars to Tenge, provided all other parameters remain unchanged. Such changes do not have any effect on the Company's capital.

<i>In thousands of Tenge</i>	Increase / decrease of Tenge exchange rate	Impact on profit before tax	Impact on equity
<b>March 31, 2021</b>	<b>+20%</b>	<b>(218,494)</b>	<b>(218,494)</b>
	<b>-20%</b>	<b>218,494</b>	<b>218,494</b>
<b>March 31, 2020</b>	<b>+20%</b>	<b>(124,720)</b>	<b>(124,720)</b>
	<b>-20%</b>	<b>124,720</b>	<b>124,720</b>

**Credit risk**

*Credit risk* - is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables and cash).

*Trade receivables*

Customer credit risk is managed by the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating). Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables. The Company does not hold collateral as security for the existing trade receivables.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 21. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES (CONTINUED)

## Credit risk (continued)

## Trade receivables (continued)

As of March 31, 2021 and 2020, the trade receivable had exposure to only one type of counterparty. Customers with ending balance more than 10% of total trade receivables were as follows:

In thousands of Tenge	March 31, 2021	March 31, 2020
Amanat LLP	24,873	66,680
INKAR LLP	77,676	54,695
Emiti International LLP	6,808	24,855
Medservice plus Kazakh Pharmaceuticals Comp LLP	30,206	34,402
MEDIX LLP	140,707	9,442
	<b>280,270</b>	<b>190,074</b>

## Cash

Credit risk management caused by balances in bank accounts is managed by the Company's management in accordance with the Company's policy. Surplus funds are invested only in the accounts of approved counterparties and within the credit limits set for each counterparty. Credit limits established for counterparties are reviewed annually by the Company's management and may be changed during the year after approval by the management of the Company. Limits are set in order to minimize the concentration of risks and, thus, reduce financial losses arising from the potential non-payment of the counterparty. The Company's maximum exposure to credit risk by component of the statement of financial position at March 31, 2021 and 2020, is represented by its book value.

The following table shows balances of cash, deposits in commercial banks as of the reporting date using the credit ratings of Standard & Poor's and Fitch where available:

In thousands of Tenge	Rating		Outstanding balance	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
SB Sberbank JSC, Kazakhstan	BB+ (Positive)	BB+ (Positive)	53,373	86,612
Tengri Bank JSC, Kazakhstan	D	D	38,139	246,400
Less: provision for expected credit losses			(38,928)	(13,914)
			<b>52,584</b>	<b>319,098</b>

## Liquidity risk

The company exercises control over cash shortage risk using the current liquidity planning tool. The Company's goal is to maintain a balance between continuity of financing and flexibility through the use of bank and non-bank loans. In accordance with the policy of the Company, no more than 25% of the debt should be repaid within the next 12 months. The company analyzed the concentration of risk in relation to refinancing its debt and concluded that it is low. The company has access to sufficient sources of financing, and the maturity of debts payable within 12 months, by agreement with current creditors, can be postponed to later dates.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2021

## 21. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES (CONTINUED)

## Liquidity risk (continued)

The following table provides information on the maturity of the Company's financial liabilities as of March 31, 2021 and 2020, based on contractual undiscounted payments:

<i>In thousands of Tenge</i>	Due on demand	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
<b>March 31, 2021</b>						
Trade payables	-	(1,101,157)	-	-	-	(1,101,157)
	-	(1,101,157)	-	-	-	(1,101,157)
<b>March 31, 2020</b>						
Trade payables	-	(905,762)	-	-	-	(905,762)
	-	(905,762)	-	-	-	(905,762)

## Measurement of financial instruments

The table below shows the summary of the Company's assets and liabilities:

<i>In thousands of Tenge</i>	Carrying amount		Amortized cost	Total
	FVTPL	FVTOCI		
<b>March 31, 2021</b>				
Cash and cash equivalents	-	-	56,829	56,829
Trade receivables	-	-	327,883	327,883
Trade payables	-	-	(1,101,157)	(1,101,157)
	-	-	(711,360)	(711,360)
<b>March 31, 2020</b>				
Cash and cash equivalents	-	-	320,818	320,818
Trade receivables	-	-	269,615	269,615
Trade payables	-	-	(905,762)	(905,762)
	-	-	(315,329)	(315,329)

## Capital management

For capital management purposes, capital includes share capital and accumulated deficit. The main goal of the Company in relation to capital management is to maximize the value of capital. The company manages the capital structure and changes it in accordance with changes in economic conditions and the requirements of the contractual terms in order to ensure the continuation of the company's continuous operations.

The objectives, policies and procedures of capital management were not changed during the periods ended March 31, 2021 and 2020.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended March 31, 2021**

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**22. SUBSEQUENT EVENTS***COVID-19*

The COVID-19 outbreak has developed rapidly in 2020 and 2021 with significant impact on business and population. Measures taken to contain the virus have affected economic activity, which in turn has implications for financial statements of the Company. Measures to prevent transmission of the virus include limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools, and cancelling events.

It will also begin to affect supply chains and the production of goods throughout the Republic of Kazakhstan, lead to lower economic activity, reduced demand for many goods and services. The Government of the Republic of Kazakhstan announced emergency situation in the biggest cities and some regions of the Republic of Kazakhstan. This situation might affect financial position and performance of the Company for the subsequent periods.

*Revenue recognition*

The Company's revenue might decline as a result of the reduced economic activity following the steps taken to control the virus. As significant number of business stopped, the events are cancelled and the overall economic activity slow down, it is expected some drop in the Company's revenue in subsequent periods.

*Valuation of ECL of trade receivable*

COVID-19 can impact the ability of clients to meet their obligations. The clients may have exposure to the economic impacts in their geography and industry sector. More broadly, reductions in forecasts in economic growth increase the probability of default across many clients. IFRS 9 requires that forward-looking information (including macro-economic information) is considered both when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. Even when a client is expected to repay all amounts owed but later than contractually required, there will be a credit loss if the lender is not compensated for the lost time value of money.