

The Pharma Network LLP

Financial statements

For the year ended March 31, 2022

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, 2022, and the statement of comprehensive loss, 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, 2022, 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
Director
Baker Tilly Qazaqstan Audit LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan #20013143 issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated September 09, 2020

May 03, 2022



Yerlan Islambekov
Auditor

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



STATEMENT OF FINANCIAL POSITION

As of March 31, 2022

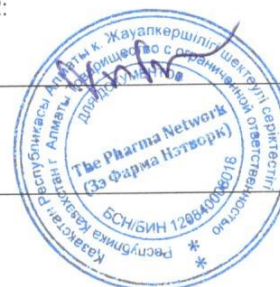
<i>In thousands of Tenge</i>	Notes	March 31, 2022	March 31, 2021
ASSETS			
Non-current assets			
Property and equipment	5	22,252	30,890
Deferred tax asses	17	29,704	34,251
		51,956	65,141
Current assets			
Inventories	6	821,885	1,235,012
Advances paid	7	31,390	9,753
Trade receivables	8	387,801	327,883
Cash and cash equivalents	9	78,652	56,829
Other current assets		7,150	7,969
TOTAL CURRENT ASSETS		1,326,878	1,637,446
TOTAL ASSETS		1,378,834	1,704,284
EQUITY			
Share capital	10	832,162	832,162
Accumulated deficit		(282,448)	(277,303)
TOTAL EQUITY		549,714	554,859
LIABILITIES			
Current liabilities			
Trade payables	11	751,375	1,101,157
Contract liabilities		4,612	6,674
Income tax payable		3,907	-
Liabilities for other taxes and obligatory payments to budget	12	9,414	10,974
Other current liabilities	13	59,812	28,923
TOTAL CURRENT LIABILITIES		829,120	1,145,478
TOTAL LIABILITIES		829,120	1,145,478
TOTAL EQUITY AND LIABILITIES		1,378,834	1,704,284

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

Signed and approved of issue on behalf of Management on May 03, 2022:

General Director

Commercial Director



STATEMENT OF COMPREHENSIVE LOSS

For the year ended March 31, 2022

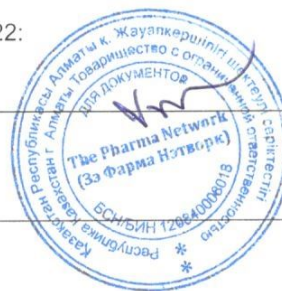
<i>In thousands of Tenge</i>	Notes	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue	14	1,827,414	1,468,722
Cost of sales	15	(832,967)	(658,502)
Gross profit		994,447	810,220
General and administrative expenses	16	(1,009,697)	(756,322)
Changes in provisions		65,946	(92,255)
Foreign exchange gain / (loss), net		(46,515)	32,105
Gain / (loss) on disposal of property and equipment, net		1,400	2,224
Other income / (expense), net		95	(1)
Operating loss		5,676	(4,029)
Finance income		29	1,604
Financing costs		-	-
Loss before income tax		5,705	(2,425)
Corporate income tax benefit / (expense)	17	(10,850)	17,791
Net income / (loss) for the year		(5,145)	15,366
Other comprehensive income		-	-
Total comprehensive income / (loss)		(5,145)	15,366

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

Signed and approved of issue on behalf of Management on May 03, 2022:

General Director

Commercial Director



STATEMENT OF CASH FLOWS
For the year ended March 31, 2022

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
OPERATING ACTIVITIES:		
Loss before income tax	5,705	(2,704)
Adjustments for non-cash items:		
Depreciation and amortization	19,028	21,604
Provision for obsolete and slow-moving inventories	(63,243)	66,135
Provision for expected credit losses	(2,703)	26,120
Finance income	(29)	(1,405)
Gain / (loss) on disposal of property and equipment, net	(1,400)	(2,224)
Foreign exchange gain / (loss), net	46,515	(32,105)
Change in working capital:		
Change in inventories	476,370	(479,048)
Change in advances paid	(21,637)	2,135
Change in trade receivables	(55,717)	(59,371)
Change in other current assets	788	(1,896)
Change in trade payables	(397,472)	326,261
Change in contract liabilities	(2,062)	6,674
Change in liabilities for other taxes and payments to the budget	(3,956)	(2,747)
Change in other current liabilities	30,889	(8,965)
	31,076	(141,536)
Income tax paid	-	(2,482)
Interest received	-	1,399
NET CASH FLOWS FROM OPERATING ACTIVITIES	31,076	(142,619)
INVESTING ACTIVITIES:		
Acquisition of property and equipment	(10,390)	(1,050)
Proceeds from sale of property and equipment	1,400	3,200
NET CASH FLOWS FROM INVESTING ACTIVITIES	(8,990)	2,150
Net cash flows for the period	22,086	(140,469)
Foreign exchange differences in cash and cash equivalents	1,234	(98,506)
Provision for expected credit losses in respect of cash and cash equivalents	(1,497)	(25,014)
Cash and cash equivalents, at the beginning of the period	56,829	320,818
Cash and cash equivalents, at the end of the period	78,652	56,829

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

Signed and approved of issue on behalf of Management on May 03, 2022:

General Director

Commercial Director



STATEMENT OF CHANGES IN EQUITY
For the year ended March 31, 2022

<i>In thousands of Tenge</i>	Share capital	Accumulated deficit	Total
As at April 1, 2020	832,162	(292,669)	539,493
<i>Net income for the year</i>	-	15,366	15,366
<i>Other comprehensive income</i>	-	-	-
Total comprehensive income for the year	-	15,366	15,366
As at March 31, 2021	832,162	(277,303)	554,859
<i>Net loss for the year</i>	-	(5,145)	(5,145)
<i>Other comprehensive income</i>	-	-	-
Total comprehensive loss for the year	-	(5,145)	(5,145)
As at March 31, 2022	832,162	(282,448)	549,714

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

Signed and approved of issue on behalf of Management on May 03, 2022:

General Director

Commercial Director



NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

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, 2022, the Company's shareholders structure was presented as follows:

#	Name of the shareholder	March 31, 2022		March 31, 2021	
		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 May 03, 2022.

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 STATEMENTSFor the year ended March 31, 2022

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 STATEMENTSFor the year ended March 31, 2022

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, 2021, 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, 2022

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.

The exchange rate as at March 31, 2022, as well as the weighted average rates prevailing for the year ended March 31, 2021, are presented as follows:

	Closing exchange rate		Average exchange rate	
	March 31, 2022	March 31, 2021	For the year ended March 31, 2022	For the year ended March 31, 2021
US Dollar	458.2	424.34	434.98	420.47
Euro	510.57	498.13	505.00	490.51
Russian Rouble	5.49	5.59	5.70	5.67

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 STATEMENTSFor the year ended March 31, 2022

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 STATEMENTSFor the year ended March 31, 2022

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 STATEMENTSFor the year ended March 31, 2022

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 STATEMENTSFor the year ended March 31, 2022

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

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 STATEMENTSFor the year ended March 31, 2022

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 recognized 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 has adopted certain standards and amendments that are effective for annual periods beginning on or after January 1, 2021. The Company has not early adopted standards, clarifications or amendments that have been issued but are not yet effective.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New and amended standards and interpretations (continued)***Interest rate Benchmark Reform – Phase 2: Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporarily reliefs which address the financial effects when an interbank offered rate (IBOR) is replaced with an alternative nearby risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designation and hedge documentation without the hedging relationship being discounted;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendment had no impact on the interim condensed financial information of the Company. The Company intends to use the practical expedient in future periods if they become applicable.

New and revised IFRSs issued but not yet effective

At the date of approval of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 sets out the principles for the recognition, measurement, presentation and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts.

IFRS 17 introduces a general model that is modified for insurance contracts with direct participation features and is defined as the variable interest method. If certain criteria are met, the general model is simplified by estimating the remaining coverage obligation using the premium allocation method.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and separately estimates the cost of such uncertainty. The model takes into account market interest rates and the impact of policyholder options and guarantees.

The standard is effective for annual periods beginning on or after January 1, 2021, with early application permitted. It is applied retrospectively if practicable, otherwise a modified retrospective or fair value accounting approach should be applied. Draft "Amendments to IFRS 17" issues and implementation difficulties that were identified after the release of IFRS 17. One of the main proposed changes is to move the date of initial application of IFRS 17 one year later to annual periods starting January 1, 2022 or later.

For transitional purposes, the date of initial application is the beginning of the annual reporting period in which an entity first applies the Standard, and the transition date is the start date of the period immediately preceding the date of initial application.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New and revised IFRSs issued but not yet effective (continued)***IFRS 10 and IAS 28 (Amendments) Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 apply to the sale or contribution of assets between an investor and its associate or joint venture. In particular, the amendments clarify that gains or losses arising from the loss of control over a subsidiary that is not a business in a transaction with an associate or joint venture that are accounted for using the equity method are recognized in the parent's profit or loss only in the share of other unrelated investors in this associate or joint venture. Similarly, gains or losses on the fair value revaluation of the remaining interest in the former subsidiary (which is classified as an investment in an associate or joint venture and accounted for using the equity method) are recognized by the former parent only to the share of unrelated investors in the new associate or joint venture.

An effective date has not yet been determined, but early adoption is permitted. The Company's management expects that the application of these amendments could have an impact on the Company's financial statements in future periods if such transactions occur.

Amendments to IFRS 3 Business Definition

The amendments clarify that while a business generally has outputs, they are not required to qualify an integrated set of activities and assets as a business. To be considered a business, an integrated set of activities and assets must include an input and a fundamentally significant process that together can go a long way toward creating value.

Added guidance to analyze if a fundamentally significant process has been acquired.

Amendments to IAS 1 and IAS 8 Determination of Materiality

The purpose of the amendments is to simplify the understanding of the definition of "materiality" in IAS 1, and not to change the basic concept of materiality used in IFRS. The new definition added the concept of "masking" material information by presenting it with non-material information.

The threshold for materiality that affects users has been changed from "may affect" to "can reasonably be expected to affect".

The definitions of materiality are similar in IAS 8 and IAS 1, as well as in the Conceptual Framework and other standards, which define or refer to the term materiality to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2020, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**New and revised IFRSs issued but not yet effective (continued)**

Amendments to IAS 1 "Classification of liabilities as current or non-current" (as part of the project to formulate the Annual Improvements to IFRS Cycles 2010-2012)

The amendments are intended to make it easier to understand that a liability is classified as non-current if the entity expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under an existing line of credit with a previous lender, on equal or similar terms.

The amendments only change the presentation of liabilities in the statement of financial position, i.e. not in terms of the amount, the moment of recognition or disclosure of information.

The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer settlement of the obligation by at least 12 months. Therefore, the amendments explicitly state that only those rights that exist "at the end of the reporting period" should have an impact on the classification of the liability. However, the classification does not depend on expectations about whether an entity will exercise the right to defer settlement of a liability, which means a transfer to a counterparty of cash, equity instruments, or other assets or services.

The amendments are effective for periods beginning on or after January 1, 2022 and are applied retrospectively. Earlier application is permitted.

Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest rate reform"

The amendments issued by the IASB will affect entities that apply the hedge accounting requirements of IFRS 9 or IAS 39 to all hedging relationships that are directly affected by the interest rate reform.

The amendments change some of the hedge accounting requirements so that entities will apply those hedge accounting requirements on the assumption that the base interest rate does not change as a result of the base interest rate reform.

The amendments are effective for annual periods beginning on or after January 1, 2020. The amendments are applied retrospectively to the amount of profit or loss recognized in other comprehensive income that already existed at the beginning of the reporting period in which the entity first applies the amendments.

Amendments to References to "Conceptual Framework" in IFRSs

Along with the revised Conceptual Framework, which became effective when published on March 29, 2018, the IASB also issued Amendments to References to Conceptual Framework in IFRSs. This document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

However, not all amendments make these standards and clarifications changes in such a way that they refer to and contain quotes from the revised Conceptual Framework. In some standards and amendments, the updates are indicative of the version of the Conceptual Framework to which they refer (IASB Conceptual Framework adopted in 2001, IASB Conceptual Framework adopted in 2010 or new revised 2018 Conceptual Framework) or an indication that the definitions in the Standard have not been updated in accordance with the definitions presented in the newly issued Conceptual Framework.

The amendments (if they actually updated existing standards and clarifications) are effective for annual periods beginning on or after January 1, 2020, with early application permitted.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)****Estimates and assumptions (continued)***Impairment of non-financial assets (continued)*

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 income. 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, 2022

5. PROPERTY AND EQUIPMENT

As at March 31, 2022, property and equipment were presented as follows:

<i>In thousands of Tenge</i>	Furniture and fixtures	Vehicles	Computres	Total
Cost:				
As at April 1, 2020	3,786	156,685	7,260	167,731
Additions	–	–	1,050	1,050
Disposals	(513)	(3,150)	(2,556)	(6,219)
As at March 31, 2021	3,273	153,535	5,774	162,562
Additions	101	4,781	5,738	10,620
Disposals	–	–	(230)	(230)
As at March 31, 2022	3,374	158,316	11,262	172,952
Accumulated depreciation:				
As at April 1, 2020	(1,784)	(108,945)	(4,282)	(115,011)
Depreciation charge	36	3,149	1,758	4,943
Depreciation on disposal	(275)	(20,389)	(940)	(21,604)
As at March 31, 2021	(2,023)	(126,185)	(3,464)	(131,672)
Depreciation charge	–	–	–	–
Depreciation on disposal	(449)	(17,044)	(1,535)	(19,028)
As at March 31, 2022	(2,472)	(143,229)	(4,999)	(150,700)
Net book value:				
As at April 1, 2020	2,002	47,740	2,948	52,720
As at March 31, 2021	1,250	27,350	2,290	30,890
As at March 31, 2022	902	15,087	6,263	22,252

As of March 31, 2022 the cost of fully amortized property, plant and equipment comprises 108,181 thousand Tenge (March 31, 2021: 90,017 thousand Tenge).

6. INVENTORIES

As at March 31, 2022, inventories were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Raw materials	537	2,561
Goods for resale	836,288	1,310,634
Less: provision for obsolete and slow-moving inventories	(14,940)	(78,183)
	821,885	1,235,012

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, 2022	For the year ended March 31, 2021
As at the beginning of the period	(78,183)	(12,048)
(Accrual) / reversal of provision	63,243	(66,135)
As at the end of the period	(14,940)	(78,183)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

7. ADVANCES PAID

As at March 31, 2022, advances paid were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Advances paid to third parties	33,873	9,753
Advances paid to related parties	–	–
Less: provision for expected credit losses	–	–
	33,873	9,753

8. TRADE RECEIVABLES

As at March 31, 2022, trade receivables were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Trade receivables from third parties	401,663	345,897
Trade receivables from related parties	–	48
Less: provision for expected credit losses and cash discount	(13,862)	(18,062)
	387,801	327,883

As of March 31, 2022, trade receivables were presented in the following currencies:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Kazakhstani Tenge	401,663	345,897
US Dollars	–	48
Less: provision for expected credit losses	(13,862)	(18,062)
	387,801	327,883

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, 2022	For the year ended March 31, 2021
As at the beginning of the period	(18,062)	(11,871)
(Accrual) / reversal of provision	4,200	(6,191)
As at the end of the period	(13,862)	(18,062)

9. CASH AND CASH EQUIVALENTS

As of March 31, 2022, cash and cash equivalents were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Cash in hand	3,710	4,245
Cash in current bank accounts	115,367	91,512
Less: provision for expected credit losses	(40,425)	(38,928)
	78,652	56,829

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

9. CASH AND CASH EQUIVALENTS (CONTINUED)

As of March 31, 2022, cash in bank accounts were placed in the following banks:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
SB Sberbank JSC, Kazakhstan	–	53,373
Bank CenterCredit JSC, Kazakhstan	75,365	–
Tengri Bank JSC, Kazakhstan	40,002	38,139
Less: provision for expected credit losses	(40,425)	(38,928)
	74,942	52,584

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

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
As at the beginning of the period	(38,928)	(13,914)
(Accrual) / reversal of provision	(1,497)	(25,014)
As at the end of the period	(40,425)	(38,928)

As of March 31, 2022, cash and cash equivalents were presented in the following currencies:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Kazakhstani Tenge	70,941	71,972
US Dollars	48,136	23,785
Less: provision for expected credit losses	(40,425)	(38,928)
	78,652	56,829

10. SHARE CAPITAL

As at March 31, 2022, 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 years ended March 31, 2022 and 2021 the Company did not declare and did not pay any dividends.

11. TRADE PAYABLES

As at March 31, 2022, trade payables were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Trade payables to third parties	1,243	8,215
Trade payables to related parties	750,132	1,092,942
	751,375	1,101,157

As of March 31, 2022, trade payables were presented in the following currencies:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Kazakhstani Tenge	1,243	8,215
US Dollars	750,132	1,092,942
	751,375	1,101,157

As at March 31, 2022 and 2021, 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, 2022

12. LIABILITIES FOR OTHER TAXES AND OBLIGATORY PAYMENTS TO BUDGET

As at March 31, 2022, liabilities for other taxes and obligatory payments to budget were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Individual income tax	3,399	2,734
Social tax and social contributions	4,118	3,146
Pension contributions	1,897	1,811
Other taxes	3,613	3,283
	13,027	10,974

13. OTHER CURRENT LIABILITIES

As at March 31, 2022, other current liabilities were presented as follows:

<i>In thousands of Tenge</i>	March 31, 2022	March 31, 2021
Provision for unused vacation	20,509	12,149
Provision for bonuses	10,115	8,239
Other current liabilities	29,188	8,535
	59,812	28,923

14. REVENUE

For the year ended March 31, 2022, revenue was presented as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue from sale of pharmaceutical drugs	1,827,414	1,468,722
	1,827,414	1,468,722

For the year ended March 31, 2022, 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, 2022	% of total revenue	For the year ended March 31, 2021	% of total revenue
MEDIX LLP	13,118	1%	348,908	24%
INKAR LLP	204,557	11%	270,542	18%
Amanat LLP	381,766	21%	202,972	14%
Amity International LLP	324,013	18%	84,840	6%
Kazakh Pharmaceutical Company				
Medservice Plus LLP	268,974	15%	94,861	6%
	1,192,428	66%	1,002,123	68%

15. COST OF SALES

For the year ended March 31, 2022, cost of sales was presented as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
Cost of pharmaceutical drugs sold	(832,967)	(658,502)
	(832,967)	(658,502)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

16. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended March 31, 2022, general and administrative expenses were presented as follows:

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
Payroll	(495,252)	(434,195)
Marketing	(177,270)	(38,849)
Professional services	(86,421)	(100,351)
Materials	(82,715)	(53,789)
Social tax and social contributions	(43,001)	(37,720)
Rent	(22,003)	(21,966)
Depreciation and amortization	(19,028)	(21,603)
Office expenses	(12,663)	(10,997)
Business trips	(11,118)	(4,297)
Communication services	(9,159)	(7,898)
Insurance	(8,293)	(7,924)
Taxes, fines	(5,185)	(5,161)
Repair and maintenance	(2,176)	(842)
Transportation	(1,538)	(360)
Bank fees	(1,570)	(4,077)
Other	(32,305)	(6,293)
	(1,009,697)	(756,322)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

17. 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>	For the year ended March 31, 2022	For the year ended March 31, 2021
Current corporate income tax expense	(6,303)	(2,098)
Deferred corporate income tax benefit / (expense)	(4,547)	19,889
Total corporate income tax benefit / (expense)	(10,850)	17,791

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>	For the year ended March 31, 2022	For the year ended March 31, 2021
Pretax income / (loss)	5,705	(2,245)
Statutory corporate income tax rate	20%	20%
Corporate income tax calculated at applicable tax rate	(1,141)	485
Permanent differences:		
Changes in provision for deferred tax assets	-	14,363
Other	(9,709)	2,943
Total corporate income tax benefit / (expense)	(10,850)	17,791

As at March 31, 2022, the components of the deferred tax asset are represented by the following:

<i>In thousands of Tenge</i>	April 1, 2020	Change in temporary differences	March 31, 2021	Change in temporary differences	March 31, 2022
Deferred tax assets: / (liabilities)					
Provision for unused vacation	3,081	(651)	2,430	561	2,991
Tax losses carry-forwarded	14,363	(14,363)	-	-	-
Provision for expected credit losses (trade receivables)	2,374	221	2,595	1,091	3,686
Provision for expected credit losses (cash)	-	7,786	7,786	214	8,000
Taxes	644	(644)	-		
Property and equipment and intangible assets	1,661	903	2,564	6,285	8,849
Provision for obsolete and slow- moving inventories	2,410	13,227	15,637	(12,523)	3,114
Other accrued liabilities and provision	4,192	(953)	3,239	(331)	2,908
Net deferred tax assets / (liabilities)	14,362		34,251		29,704
Net change in temporary differences		19,889		(4,547)	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

18. 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, 2022	March 31, 2021
Trade receivables		
Alkem Laboratories Limited, <i>the Parent</i>	–	48
Trade payables		
Alkem Laboratories Limited, <i>the Parent</i>	750,132	1,092,942

<i>In thousands of Tenge</i>	For the year ended March 31, 2022	For the year ended March 31, 2021
Revenue		
Alkem Laboratories Limited, <i>the Parent</i>	–	45
Purchases		
Alkem Laboratories Limited, <i>the Parent</i>	415,758	1,168,781

Key management personnel compensation

Remuneration of key management personnel for the year ended March 31, 2022, including salaries, comprised 207,071 thousand Tenge (year ended March 31, 2021: 217,652 thousand Tenge). Remuneration to key personnel includes salaries and other payments in accordance with the company's internal regulations.

19. 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, 2022.

Management believes that, as at March 31, 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

20. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES

Categories of financial instruments

As of March 31, 2022, the Company's financial instruments were presented by the following assets and liabilities:

In thousands of Tenge	March 31, 2022	March 31, 2021
Financial assets and liabilities measured at amortised cost:		
Cash and cash equivalents	78,652	56,829
Trade receivables	387,801	327,883
Trade payables	(751,375)	(1,101,157)
	(284,922)	(711,360)

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.

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>	Currency	Increase/decrease in the exchange rate of the selected foreign currency against Tenge	Impact on pre-tax income
March 31, 2022	US Dollar	+20%	(140,399)
		-20%	140,399
March 31, 2021	US Dollar	+20%	(218,494)
		-20%	218,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

20. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES (CONTINUED)

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.

As of March 31, 2022, 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, 2022	March 31, 2021
Amanat LLP	55,167	24,873
INKAR LLP	6,527	77,676
Emiti International LLP	112,108	6,808
Medservice plus Kazakh Pharmaceuticals Comp LLP	65,375	30,206
MEDIX LLP	-	140,707
	239,177	280,270

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, 2022 and 2021, 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, 2022	March 31, 2021	March 31, 2022	March 31, 2021
SB Sberbank JSC, Kazakhstan	-	BB+ (Positive)	-	53,373
Bank CenterCredit JSC, Kazakhstan	B (Stable)	-	75,365	-
Tengri Bank JSC, Kazakhstan	D	D	40,002	38,139
Less: provision for expected credit losses			(40,425)	(38,928)
			74,942	52,584

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2022

20. FINANCIAL RISK MANAGEMENT GOALS AND POLICIES (CONTINUED)

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.

The following table provides information on the maturity of the Company's financial liabilities as of March 31, 2022, 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
March 31, 2022						
Trade payables	-	(751,375)	-	-	-	(751,375)
	-	(751,375)	-	-	-	(751,375)
March 31, 2021						
Trade payables	-	(1,101,157)	-	-	-	(1,101,157)
	-	(1,101,157)	-	-	-	(1,101,157)

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			Total
	FVTPL	FVTOCI	Amortized cost	
March 31, 2022				
Cash and cash equivalents	-	-	78,652	78,652
Trade receivables	-	-	387,801	387,801
Trade payables	-	-	(751,375)	(751,375)
	-	-	(284,922)	(284,922)
March 31, 2021				
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)

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, 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTSFor the year ended March 31, 2022

21. SUBSEQUENT EVENTS

The coronavirus (COVID-19) outbreak developed rapidly in 2020 and 2021, having a significant impact on businesses and the public. Measures taken to contain the virus have affected economic activity in the Republic of Kazakhstan, especially in the small and medium-sized business sector and services. Measures to prevent transmission of the virus include restricting the movement of people, restricting flights and other travel, temporarily closing businesses and educational institutions, and canceling events.

This situation will also begin to affect the supply chains and production of goods throughout the Republic of Kazakhstan, will lead to a decrease in economic activity, a decrease in demand for many goods and services. The government of the Republic of Kazakhstan has declared a state of emergency in the largest cities and some regions of the Republic of Kazakhstan. This situation may negatively affect the Company's financial position and results of operations.

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.

In January 2022 Kazakhstan suffered internal Kazakhstani protests driven by poor economic situation and further shifted into political instability. As a result of such shift a set of political and business figures have been captured and accused. That event did not have a significant impact on the Company's operations. Management is yet to assess its potential impact on the business.

In February 2022, a number of new sanctions were announced against the Russian Federation. Due to the growing geopolitical tensions, a significant increase in volatility in the stock and currency markets is expected. It is expected that these events may affect the activities of companies in various sectors of the economy. The Company regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. The Company's management is currently analyzing the possible effect of these events on the Company's financial position and results of operations.