

Independent Auditor's Report

To the Members of,
Alkem Pharma Gmbh, Germany

Report on the Financial Statements:

We have audited the accompanying financial statements of **Alkem Pharma Gmbh, Germany** ('the Company') (which comprises of its Balance Sheet as at 31st March, 2016, its Profit & Loss Statement and its Cash Flow Statement for the year ended on that date (hereinafter referred to as "the financial statements")) and a summary of the significant accounting policies and other explanatory information prepared by its management in Germany in its reporting currency in Euro as per the requirements of the German Laws and German GAAPs. These financial statements are then translated by the management of its holding company M/s. Alkem Laboratories Ltd., India in Indian currency (INR) and is also presented in the formats and as per requirements of Schedule III to the Companies Act, 2013 and as per the Indian GAAP for the purpose of presenting it to the shareholders of its holding company as per the requirements of Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company.

Management's Responsibility for the financial statements:

The Company's Board of Directors is responsible for preparation of these financial statements that give a true and fair view of the financial position and the financial performance of the Company in accordance with the accounting principles generally accepted. This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility:

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Generally Accepted Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of



the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion:

1. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statement give the information required in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted, of the state of affairs of the Company as at 31st March, 2016, and its loss and its cash flows for the year ended on that date.
2. The financial statements dealt with by this report are prepared from and are in agreement with the financial statements of Alkem Pharma GmbH, Germany prepared in German currency as per German GAAP for the year ended 31st March, 2016;
3. In our opinion, the financial statements dealt with by this report are translated from Euro to Indian Rupees by adopting the applicable rates of foreign currency for the year in accordance with AS-11 prescribed by Rule 7 of the Companies (Accounts) Rules, 2014 read with Companies (Accounting Standard) Rules, 2006.
4. In our opinion and to the best of our information and according to the explanations given to us, the said financial statements read together with the significant accounting policies and notes thereon is prepared as per the formats and in the manner required by Schedule III to the Companies Act, 2013 and as per the requirements of Indian GAAP.
5. This report is not a report under Section 143 of the Companies Act, 2013 including the Companies (Auditors) Report Order, 2016, and accordingly does not include any statement on the matters specified therein.

For R.S.SANGHAI & ASSOCIATES
Chartered Accountants
Firm Registration No. 109094W


R.S.SANGHAI

Partner

Membership No.: 036931

Mumbai: 20th May, 2016



ALKEM PHARMA GMBH
BALANCE SHEET AS AT 31ST MARCH 2016

PARTICULARS	Note No.	As at 31st March 2016 EURO	As at 31st March 2016 Rs.	As at 31st March 2015 EURO	As at 31st March 2015 Rs.
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	2.1	25,000	17,08,980	25,000	17,08,980
(b) Reserves and Surplus	2.2	(52,434)	(37,61,682)	(47,581)	(32,40,947)
		(27,434)	(20,52,702)	(22,581)	(15,31,967)
(2) Non Current Liabilities					
(a) Long Term Borrowings	2.3	25,500	19,07,979	20,500	13,90,837
		25,500	19,07,979	20,500	13,90,837
(3) Current Liabilities					
(a) Other Current Liabilities	2.4	3,965	2,96,672	5,695	3,86,373
		3,965	2,96,672	5,695	3,86,373
TOTAL		2,031	1,51,949	3,615	2,45,243
II. ASSETS					
(1) Current Assets					
(a) Cash and Cash equivalents	2.5	2,031	1,51,949	3,605	2,44,599
(b) Short Term Loans and Advances	2.6	-	-	10	645
		2,031	1,51,949	3,615	2,45,243
TOTAL		2,031	1,51,949	3,615	2,45,243

Significant Accounting Policies 1
Notes to Accounts 2
The accompanying notes are an integral part of financial statements

As per our attached report of even date

For R S SANGHAI & ASSOCIATES

Chartered Accountants

R S SANGHAI

Partner

Place : Mumbai

Dated : 20th May, 2016



For and on behalf of the Board

Amit Ghare
Director

Sandeep Singh
Director

ALKEM PHARMA GMBH
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2016

PARTICULARS	Note No.	Year Ended	Year Ended	Year Ended	Year Ended
		31st March 2016 EURO	31st March 2016 Rs.	31st March 2015 EURO	31st March 2015 Rs.
Other income	2.7	87	6,220	-	2,91,865
Total Revenue		87	6,220	-	2,91,865
Expenses:					
Finance costs	2.8	1,140	81,971	356	27,544
Other expenses	2.9	3,800	4,44,984	6,374	4,93,733
Total expenses		4,940	5,26,955	6,730	5,21,278
Profit (Loss) for the period		(4,853)	(5,20,735)	(6,730)	(2,29,413)
Earnings per equity share:					
(1) Basic		(2,427)	(2,60,367)	(3,365)	(1,14,706)
(2) Diluted		(2,427)	(2,60,367)	(3,365)	(1,14,706)

Significant Accounting Policies 1
Notes to Accounts 2
The accompanying notes are an integral part of financial statements

As per our attached report of even date

For R S SANGHAI & ASSOCIATES
Chartered Accountants

For and on behalf of the Board


R S SANGHAI
Partner




Amit Ghare
Director


Sandeep Singh
Director

Place : Mumbai
Dated : 20th May, 2016

ALKEM PHARMA GMBH

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

	Current Year ending 31st March 2016		Current Year ending 31st March 2015	
	EURO	Rs.	EURO	Rs.
A. Cash Flow from Operating activities				
-Profit before Tax	(4,853)	(5,20,735)	(6,730)	(2,39,351)
-Adjustments for :				
-Exchange difference (see note 1 below)	-	1,71,724	-	(2,81,927)
Operating Profit before Working Capital Changes	(4,853)	(3,49,011)	(6,730)	(5,21,278)
-Adjustments for :				
- Long term borrowing	5,000	5,17,142	5,000	3,87,306
- Other Current Liabilities	(1,731)	(89,701)	1,933	1,49,757
- Short Term Provision			-	-
- Short Terms Loan & Advance			-	-
Cash (used in) / Generated from Operations	(1,584)	78,430	204	15,785
Net cash (used in) /generated from operating activities	(1,584)	78,430	204	15,785
B. Cash flow from Investing activities	-	-	-	-
B. Cash flow from Financing activities	-	-	-	-
Net Increase/(decrease) in cash and cash equivalents	(1,584)	78,430	204	15,785
Cash and cash equivalents at the beginning of the year	3,605	2,44,599	3,401	2,79,499
Cash and cash equivalents at the end of the year	2,021	3,23,029	3,605	2,95,284

Notes:

1)Cash and cash equivalent include:

Particulars	As at 31.03.2016		As at 31.03.2015	
	EURO	Rs.	EURO	Rs.
Cash and Bank balances (Refer Note 2.5)	2,031	1,51,949	3,605	2,44,599
Exchange difference (Unrealised (Gain) / Loss)	-	1,71,079	-	50,685
Total	2,031	3,23,029	3,605	2,95,284

2) The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard (AS-3) "Cash Flow Statement"

As per our attached report of even date

For R S SANGHAI & ASSOCIATES

Chartered Accountants


R S SANGHAI

Partner

Place : Mumbai

Dated : 20th May,2016



For and on behalf of the Board


Amit Ghare
Director


Sandeep Singh
Director

NOTE – 1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd and to comply with the provisions of Section 129 of the Indian Companies Act, 2013

1.1 Basis of preparation: -

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis in compliance with all material aspect of the applicable Accounting Standard.

1.2 Use of Estimates: -

The preparation of the financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognised in the period in which the results are known/ materialized.

1.3 Cash Flow Statement:

Cash flow are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transaction of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payment and item of income or expenses associated with investing or financing cash flow. The cash flows from operating, investing and financing activities of the Company are segregated.

1.4 Cash and Cash Equivalents:

Cash and Cash Equivalent for the purpose of cash flow statement comprise cash on hand and cash at bank including fixed deposit with original maturity period of three months or less and short term highly liquid investment with an original maturity of three months or less (if any).

1.5 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **EURO**. The financial statements have been translated to Indian Rupees considering the operations of the Company as “ **Integral operations** ” for the parent company on the following basis –

- i) All income and expenses are translated at the average rate of exchange prevailing during the year.
- ii) Monetary assets and liabilities are translated at the closing rate on the Balance sheet date.
- iii) Non-monetary assets and liabilities and share capital is translated at historical rates.
- iv) The resulting exchange difference is accounted in 'Exchange Difference on Translation Account' and is charged/credited to the Profit and Loss Account.



Particulars	As at	As at	As at	As at
	31st March 2016 EURO	31st March 2016 Rs.	31st March 2015 EURO	31st March 2015 Rs.
NOTE 2.1 : SHARE CAPITAL				
(A) Authorised, Issued, Subscribed and paid - up share capital and par value per share				
AUTHORISED SHARE CAPITAL :				
1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/- (Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/-)	25,000	17,08,980	25,000	17,08,980
	25,000	17,08,980	25,000	17,08,980
ISSUED, SUBSCRIBED & PAID-UP :				
1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/- (Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/-)	25,000	17,08,980	25,000	17,08,980
	25,000	17,08,980	25,000	17,08,980

(B) Reconciliation of Number of equity shares outstanding at the beginning and at the end of the period

Particulars	As at 31st March 2016	As at 31st March 2015
Numbers of Shares Outstanding as at the beginning of the period	2	2
Shares issued during the period	-	-
shares bought back during the period	-	-
Numbers of Shares Outstanding as at the Closing of the period	2	2

(C) Shares in Company held by each shareholder holding more than 5% Shares

Name of the shareholder	As at 31st March 2016		As at 31st March 2015	
	Number of Shares	Percentage	Number of Shares	Percentage
Alkem Laboratories Limited	2	100%	2	100%

NOTE 2.2 : RESERVES AND SURPLUS

Particulars	As at	As at	As at	As at
	31st March 2016 EURO	31st March 2016 Rs.	31st March 2015 EURO	31st March 2015 Rs.
Surplus in Statement of Profit and Loss				
As per last Balance Sheet	-47,581	(32,40,947)	(40,851)	(30,11,534)
Profit and Loss of Current Period	(4,853)	(5,20,735)	(6,730)	(2,29,413)
Balance carried to Profit and Loss A/c	(52,434)	(37,61,682)	(47,581)	(32,40,947)

NOTE 2.3 : LONG TERM BORROWINGS

Particulars	As at	As at	As at	As at
	31st March 2016 EURO	31st March 2016 Rs.	31st March 2015 EURO	31st March 2015 Rs.
Unsecured Loans				
Loan from related Parties	25,500	19,07,979	20,500	13,90,837
	25,500	19,07,979	20,500	13,90,837

NOTE 2.4 : OTHER CURRENT LIABILITIES

Particulars	As at	As at	As at	As at
	31st March 2016 EURO	31st March 2016 Rs.	31st March 2015 EURO	31st March 2015 Rs.
Creditors for expenses	966	72,247	2,395	1,62,481
Accruals for expenses	2,999	2,24,425	3,300	2,23,891
	3,965	2,96,672	5,695	3,86,372



NOTE 2.5 : CASH AND CASH EQUIVALENTS

Particulars	As at 31st March 2016 EURO	As at 31st March 2016 Rs.	As at 31st March 2015 EURO	As at 31st March 2015 Rs.
(a) Balance with Bank Current Account	2,031	1,51,949	3,605	2,44,599
	2,031	1,51,949	3,605	2,44,599

NOTE 2.6 : SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March 2016 EURO	As at 31st March 2016 Rs.	As at 31st March 2015 EURO	As at 31st March 2015 Rs.
Vat Receivables		-	10	645
		-	10	645

NOTE 2.7 : OTHER INCOME

Particulars	Year Ended 31st March 2016 EURO	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 EURO	Year Ended 31st March 2015 Rs.
Net gain/loss on foreign currency transactions and translation			-	2,91,865
Written off creditors	60	4,279		
Bank Interest	27	1,942		
	87	6,220		2,91,865

NOTE 2.8 : FINANCE COST

Particulars	Year Ended 31st March 2016 EURO	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 EURO	Year Ended 31st March 2015 Rs.
Bank Charges	416	29,907	356	27,544
Interest Expense	724	52,064		
	1,140	81,971	356	27,544

NOTE 2.9 : OTHER EXPENSES

Particulars	Year Ended 31st March 2016 EURO	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 EURO	Year Ended 31st March 2015 Rs.
Review/Audit fees		-	1,479	1,14,533
Other Charges	359	25,834	1,045	80,947
Applicable net gain/loss on foreign currency transactions and translation		1,71,724	-	-
Late Filing Fees		-	-	-
Legal and Professional	3,441	2,47,426	3,850	2,98,254
	3,800	4,44,984	6,374	4,93,733



ALKEM PHARMA GMBH.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST
MARCH, 2016

2.10 Company Overview: -

The Company was incorporated on 25th March 2009 in Germany under the Corporations Act Its core business is to sale and distribution of pharmaceutical products throughout Germany and to provide marketing services. The Company is a wholly- owned subsidiary of Alkem Laboratories Ltd.

2.11 Related Party Disclosures, as required by Accounting Standard 18 (AS-18) are given below:**a) Names of Related parties and description of relationship: -**

i) Company whose control exists: Alkem Laboratories Limited (Holding Company)

ii) Fellow Subsidiaries

Alkem Laboratories (NIG) Limited	Nigeria
Alkem Laboratories (PTY) Limited	South Africa
Ascends Laboratories SpA	Chile
Alkem Laboratories Corporation	Philippines
S & B Holdings B.V.	Netherlands
Pharmacor Pty Limited	Australia
ThePharmanetwork, LLC	United States of America
Ascends Laboratories SDN BHD.	Malaysia
Enzene Biosciences Ltd.	India
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
S & B Pharma Inc.	United States of America
The PharmaNetwork, LLP	Kazakhstan
Ascend Laboatories, LLC	United States of America
Ascend Laboratories (UK) Limited	United Kingdom
Cachet Pharmaceutical Pvt. Ltd	India
Indchemie Health specialties Pvt. Ltd	India
Alkem Real Estate LLP(up to 11.09.2015)	India

iii) Key Management Personnel : Mr. Sandeep Singh (Director)
: Mr. Amit Ghare (Director)

b) Transactions with the related parties:

Sr. No	Transaction	Holding Company	
		EURO	Rs
1.	Loan Taken	5,000 (5,000)	359,560 (387,306)
2.	Interest Expenses	724 (-)	52,064 (-)



ALKEM PHARMA GMBH.NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

c) Out of the above items transactions in excess of 10% of the total related party transactions are as under :

Sr. No	Transactions	Related Party Relation	For the year ended 31.03.2016		For the year ended 31.03.2015	
			EURO	Rs	EURO	Rs
2.	Loan Taken (Alkem Laboratories Limited)	Holding Company	5,000	359,560	5,000	387,306

d) Balances due from / to the related parties:

Sr. No	Transaction	Holding Company	
		Euro	Rs
1.	Borrowing	25,500 (20,500)	1,907,979 (1,390,837)
2.	Interest Payable	724 (-)	52,064 (-)

Note: -

- i) Figures in brackets are for previous year.
- ii) Related Party relationship is as identified by the company and relied upon by the Auditor.

2.12: Earnings per share are calculated as follows:-

Particulars	For the year ended 31 st March 2016. Euro.	For the year ended 31 st March 2016. INR.	For the year ended 31 st March 2015. Euro.	For the year ended 31 st March 2015. INR.
Net profit/(loss) after tax attributable to Equity Shareholders	(4,853)	(520,735)	(6,730)	(229,413)
Weighted average number of Equity Shares (No.)				
-Basic	2	2	2	2
-Diluted	2	2	2	2
Earnings per Share				
* -Basic	(2,427)	(260,367)	(3,365)	(114,706)
** -Diluted	(2,427)	(260,367)	(3,365)	(114,706)



ALKEM PHARMA GMBH.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST
MARCH, 2016

2.13: The books of accounts are maintained by the Company in Euro and converted into Indian Rupees in accordance with the accounting policy stated in note 1.5 above.

2.14: Average exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no.1.5 (i) is Rs.71.9121/1Euro (Rs. 77.46125/1 Euro)

Closing exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no. 1.5 (ii) is Rs.74.8227/1 Euro (Rs. 67.84570//1 Euro)

2.15: Previous year figures have been regrouped wherever necessary to correspond with the figures of the current year.

Signature to Notes 1.1 to 2.15

As per our attached report of even date

For R S Sanghai & Associates

Chartered Accountant



R S Sanghai

Partner:

Place: Mumbai

Date: 20th May, 2016.



For and on behalf of the Board



Amit Ghare

Director



Sandeep Singh

Director