

Independent Auditor's Report

To the Members of,
Alkem Laboratories Korea Inc., Korea

Report on the Financial Statements:

We have audited the accompanying financial statements of **Alkem Laboratories Korea Inc., Korea** ('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 Korea in its reporting currency in Korean Won as per the requirements of the Korean Laws and Korean 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 profit and its cash flows for 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 Laboratories Korea Inc., Korea prepared in Korean currency as per Korean GAAP for the year ended 31st March, 2016;
3. In our opinion, the financial statements dealt with by this report are translated from Korean Won to Indian Rupees by adopting the applicable rates of foreign currency for the period 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 LABORATORIES KOREA INC. (YUHAN HOESA ALKEM LABORATORIES KOREA)

BALANCE SHEET AS AT 31st MARCH 2016

PARTICULARS	Note No.	As at 31st March 2016 Won	As at 31st March 2016 Rs.	As at 31st March 2015 Won	As at 31st March 2015 Rs.
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	2.1	15,00,000	79,467	15,00,000	79,467
(b) Reserves and Surplus	2.2	-	6,828	-	5,208
		15,00,000	86,295	15,00,000	84,675
TOTAL		15,00,000	86,295	15,00,000	84,675
II. ASSETS					
(1) Current Assets					
(a) Cash and Cash equivalents	2.3	15,00,000	86,295	15,00,000	84,675
		15,00,000	86,295	15,00,000	84,675
TOTAL		15,00,000	86,295	15,00,000	84,675

Singnificant Accounting Policies 1

Notes to Accounts 2

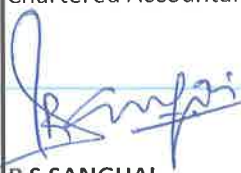
The accompanying notes are an integral part of financial statements

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

Place : Mumbai

Dated : 20th May 2016





Sandep Singh

Director



Amit Ghare

Director

ALKEM LABORATORIES KOREA INC. (YUHAN HOESA ALKEM LABORATORIES KOREA)
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED ENDED 31 MARCH 2016

PARTICULARS	No.	Year Ended	Year Ended	Year Ended	Year Ended
		31st March 2016 Won	31st March 2016 Rs.	31st March 2015 Won	31st March 2015 Rs.
Other income	2.4	-	1,620	-	975
Total Revenue		-	1,620	-	975
Expenses:		-	-	-	-
Total expenses		-	-	-	-
Profit (Loss) for the period		-	1,620	-	975
Earnings per equity share:-					
(1) Basic		-	0.11	-	0.07
(2) Diluted		-	0.11	-	0.07

Singnificant 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

Place : Mumbai

Dated : 20th May 2016





Sandeep Singh

Director



Amit Ghare

Director

ALKEM LABORATORIES KOREA INC. (YUHAN HOESA ALKEM LABORATORIES KOREA)

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Particulars	Current Year ended 31st March 2016		Previous Year ended 31st March 2015	
	WON	Rs.	WON	Rs.
A. Cash Flow from Operating activities				
-Profit before Tax	-	1,620	-	975
-Adjustments for :				
-Exchange difference (see note 1 below)	-	(1,620)	-	975
Operating Profit before Working Capital Change	-	-	-	1,950
Cash (used in) / Generated from Operations	-	-	-	1,950
Net cash (used in) /generated from	-	-	-	1,950
B. Cash flow from Investing activities	-	-	-	-
C. Cash flow from financing activities	-	-	-	-
Net Increase/(decrease) in cash and cash	-	-	-	1,950
Cash and cash equivalents at the beginning of the year	15,00,000	84,675	15,00,000	83,700
Cash and cash equivalents at the end of the year	15,00,000	84,675	15,00,000	85,650

Notes :

1) Cash and cash equivalents include :

	As at 31.03.2016		As at 31.03.2015	
	WON	Rs.	WON	Rs.
Cash and Bank balances (Refer Note 2.3)	15,00,000	86,295	15,00,000	84,675
Exchange difference (Unrealised (Gain) / Loss)	-	(1,620)	-	975
Total	15,00,000	84,675	15,00,000	85,650

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


Sandep Singh
Director


Amit Ghare
Director

ALKEM LABORATORIES KOREA INC.

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

NOTE – 1 SIGNIFICANT ACCOUNTING POLICIES

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

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).



ALKEM LABORATORIES KOREA INC.

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

1.5 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **WON**. 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 period.
- 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.



ALKEM LABORATORIES KOREA INC. (YUHAN HOESA ALKEM LABORATORIES KOREA)
 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

Particulars	As at 31st March 2016 Won	As at 31st March 2016 Rs.	As at 31st March 2015 WON	As at 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 :				
15,000 Units of Won 100/- each (Previous Year 15,000 Units of Won 100/- each)	15,00,000	79,467	15,00,000	79,467
	15,00,000	79,467	15,00,000	79,467
ISSUED, SUBSCRIBED & PAID-UP :				
15,000 Units of Won 100/- each (Previous Year 15,000 Units of Won 100/- each)	15,00,000	79,467	15,00,000	79,467
	15,00,000	79,467	15,00,000	79,467

(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	15,000	15,000
Shares issued during the period	-	-
shares bought back during the period	-	-
Numbers of Shares Outstanding as at the Closing of the period	15,000	15,000

(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	15,000	100%	15,000	100%



ALKEM LABORATORIES KOREA INC. (YUHAN HOESA ALKEM LABORATORIES KOREA)
 NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

NOTE 2.2 : RESERVES AND SURPLUS

Particulars	As at 31st March 2016 Won	As at 31st March 2016 Rs.	As at 31st March 2015 WON	As at 31st March 2015 Rs.
Surplus in Statement of Profit and Loss				
As per last Balance Sheet	-	5,208	-	4,233
Profit and Loss of Current Period	-	1,620	-	975
Balance carried to Profit and Loss A/c	-	6,828	-	5,208

NOTE 2.3 : CASH AND CASH EQUIVALENTS

Particulars	As at 31st March 2016 WON	As at 31st March 2016 Rs.	As at 31st March 2015 WON	As at 31st March 2015 Rs.
(a) Balance with Bank				
Current Account	15,00,000	86,295	15,00,000	84,675
	15,00,000	86,295	15,00,000	84,675

NOTE 2.4 ; OTHER INCOME

Particulars	Year Ended 31st March 2016 WON	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 WON	Year Ended 31st March 2015 Rs.
Applicable net gain/loss on foreign currency transactions and translation		1,620	-	975
	-	1,620	-	975



ALKEM LABORATORIES KOREA INC.

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

2.5 Company Overview: -

The Company was incorporated on 7th August 2012 in Korea under the Corporations Act Its core business is to sale and distribution of pharmaceutical products throughout Korea and to provide marketing services. The Company is a wholly- owned subsidiary of Alkem Laboratories Ltd.

2.6 Related Parties Disclosure: -

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
Alkem Pharma GmbH	Germany
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
Ascends Laboratories SpA	Chile
Enzene Biosciences Ltd.	India
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
Alkem Real Estate LLP(upto 11.09.2015)	India
Cachet Pharmaceutical Pvt. Ltd	India
Indchemie Health specialties Pvt. Ltd	India

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

b) Transactions with the related parties: Nil

Note: -

Related Party relationship is as identified by the company and relied upon by the Auditors.



ALKEM LABORATORIES KOREA INC.NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2016

2.7: Earnings per share are calculated as follows:-

Particulars	For the year ended 31 st March 2016.	For the year ended 31 st March 2016.	For the year ended 31 st March 2015.	For the year ended 31 st March 2015
	WON	INR.	WON	INR.
Net profit/(loss) after tax attributable to Equity Shareholders	-	1620	-	975
Weighted average number of Equity Shares (No.)				
-Basic	15,000	15,000	15,000	15,000
-Diluted	15,000	15,000	15,000	15,000
Earnings per Share				
* -Basic	-	0.11	-	0.07
** -Diluted	-	0.11	-	0.07

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

2.9: Average exchange rate for the year ended 31st March 2016 considered for the purpose of translation as referred in note no. 1.5 (i) is Rs .056253/1Won (Rs. 0.05742/1Won)
Closing exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no. 1.5 (ii) is Rs. 0.05753/1Won (Rs. 0.05645/1Won for March 2015)

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

Signature to Notes 1.1 to 2.10

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**

Sandeep Singh
Director



Amit Ghare
Director