

**Independent Auditor's Report**

To the Members of,  
**Pharmacor Limited, Kenya**

**Report on the Financial Statements:**

We have audited the accompanying financial statements of **Pharmacor Limited, Kenya** ('the Company') (which comprises of its Balance Sheet as at 31<sup>st</sup> 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 Kenya in its reporting currency in Kenyan Shilling as per the requirements of the Kenyan Laws and Kenyan 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 31<sup>st</sup> 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 Pharmacor Limited, Kenya prepared in Kenyan currency as per Kenyan GAAP for the year ended 31<sup>st</sup> March, 2016;
3. In our opinion, the financial statements dealt with by this report are translated from Kenyan Shilling 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: 20<sup>th</sup> May, 2016



PHARMACOR LTD.  
BALANCE SHEET AS AT 31ST MARCH, 2016

PARTICULARS	Note No	As at 31st March 2016 KES	As at 31st March 2016 Rs.	As at 31st March 2015 KES	As at 31st March 2015 Rs.
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) Shareholders' Funds</b>					
(a) Share Capital	2.1	1,00,000	65,892	1,00,000	65,892
(b) Reserves and Surplus	2.2	(21,550)	(15,587)	(16,270)	(10,283)
		78,451	50,305	83,730	55,609
<b>TOTAL</b>		78,451	50,305	83,730	55,609
<b>II. ASSETS</b>					
<b>(1) Current Assets</b>					
(a) Cash and Cash equivalents	2.3	78,451	50,305	83,730	55,609
		78,451	50,305	83,730	55,609
<b>TOTAL</b>		78,451	50,305	83,730	55,609

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

Date : 20th May 2016



For and on behalf of the Board

P.V Damodaran

Director

Ashish Sinha

Director

PHARMACOR LTD.

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31st March 2016

PARTICULARS	Note No.	Year Ended	Year Ended	Year Ended	Year Ended
		31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
Other income		-	-		
<b>Total Revenue</b>		-	-	-	-
Expenses:					
Finance costs	2.4	5,280	3,368	5,240	3,531
Other expenses	2.5	-	1,936		1,240
<b>Total expenses</b>		5,280	5,304	5,240	4,771
<b>Profit (Loss) for the period</b>		(5,280)	(5,304)	(5,240)	(4,771)
<b>Earnings per equity share:-</b>					
(1) Basic		(5.28)	(5.30)	(5.24)	(4.77)
(2) Diluted		(5.28)	(5.30)	(5.24)	(4.77)

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

Date : 20th May 2016



For and on behalf of the Board

P.V Damodaran  
Director

Ashish Sinha  
Director

PHARMACOR LTD.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

	Current Year ended 31st March 2016		Previous Year ended 31st March 2015	
	KES	Rs.	KES	Rs.
<b>A. Cash Flow from Operating activities</b>				
-Profit before Tax	(5,280)	(5,304)	(5,240)	(4,771)
-Adjustments for :				
-Exchange difference	-	1,936	-	1,240
<b>Operating Profit before Working Capital Changes</b>	<b>-5,280</b>	<b>(3,368)</b>	<b>(5,240)</b>	<b>(3,531)</b>
-Adjustments for :				
- Short Term Loans	-	-	-	-
- Prepaid Expenses	-	-	-	-
-Trade Payables	-	-	-	-
-Short Term Provisions	-	-	-	-
<b>Cash (used in) / Generated from Operations</b>	<b>(5,280)</b>	<b>(3,368)</b>	<b>(5,240)</b>	<b>(3,531)</b>
<b>C. Cash flow from Financing activities</b>				
	-	-	-	-
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(5,280)</b>	<b>(3,368)</b>	<b>(5,240)</b>	<b>(3,531)</b>
Cash and cash equivalents at the beginning of the year	83,730	55,609	88,971	60,380
Cash and cash equivalents at the end of the year	78,450	52,241	83,731	56,849

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31.03.2016		As at 31.03.2015	
	KES	Rs.	KES	Rs.
Cash and Bank balances (Refer Note 2.3)	78,451	50,305	83,730	55,609
Exchange difference (Unrealised (Gain) / Loss)	-	1,936	-	1,240
<b>Total</b>	<b>78,451</b>	<b>52,241</b>	<b>83,730</b>	<b>56,849</b>

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  
 Date : 20th May 2016



For and on behalf of the Board

  
**P.V Damodaran**  
 Director

  
**Ashish Sinha**  
 Director

**PHARMACOR LTD.**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup>  
MARCH, 2016

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**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).



**PHARMACOR LTD.**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup>  
MARCH, 2016

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**1.5 Translation to Indian Rupees: -**

The local accounts are maintained in local and functional currency, which is the **KES**. 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.



**PHARMACOR LTD.**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

Particulars	As at	As at	As at	As at
	31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
<b>NOTE 2.1 : SHARE CAPITAL</b>				
<b>(A) Authorised, Issued, Subscribed and paid - up share capital and par value per share</b>				
<b>AUTHORISED SHARE CAPITAL :</b>				
1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	1,00,000	65,892	1,00,000	65,892
	1,00,000	65,892	1,00,000	65,892
<b>ISSUED, SUBSCRIBED &amp; PAID-UP :</b>				
1,000 Units of KES 100/- each (Previous Year 1,000 Units of KES 100/- each)	1,00,000	65,892	1,00,000	65,892
	1,00,000	65,892	1,00,000	65,892

**(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 31 March 2015
Numbers of Shares Outstanding as at the beginning of the period	1,000	1,000
Shares issued during the period	-	-
shares bought back during the period	-	-
<b>Numbers of Shares Outstanding as at the Closing of the period</b>	<b>1,000</b>	<b>1,000</b>

**(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	1,000	100%	1,000	100%





PHARMACOR LTD.  
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

**NOTE 2.2 : RESERVES AND SURPLUS**

Particulars	As at	As at	As at	As at
	31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
<b>Surplus in Statement of Profit and Loss</b>				
As per last Balance Sheet	(16,270)	(10,283)	(11,030)	(5,512)
Profit and Loss of Current period	(5,280)	(5,304)	(5,240)	(4,771)
Balance carried to Profit and Loss A/c	(21,550)	(15,587)	(16,270)	(10,283)

**NOTE 2.3 : CASH AND CASH EQUIVALENTS**

Particulars	As at	As at	As at	As at
	31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
<b>(a) Balance with Bank</b>				
Current Account	78,451	50,305	83,730	55,609
	78,451	50,305	83,730	55,609

**NOTE 2.4 : FINANCE COST**

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
Bank Charges	5,280	3,368	5,240	3,531
	5,280	3,368	5,240	3,531

**NOTE 2.5 : OTHER EXPENSES**

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 KES	31st March 2016 Rs.	31st March 2015 KES	31st March 2015 Rs.
Applicable net gain/loss on foreign currency transactions and translation	-	1,936	-	1,240
	-	1,936	-	1,240



## PHARMACOR LTD.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup>  
MARCH, 2016

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### 2.6 Company Overview: -

The Company was incorporated on 15<sup>th</sup> May 2012 in Kenya under the Corporations Act Its core business is to sale and distribution of pharmaceutical products throughout Kenya and to provide marketing services. The Company is a wholly-owned subsidiary of Alkem Laboratories Ltd.

### 2.7 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
Alkem Laboratories Korea Inc	Korea
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 (upto 11.09.2015)	India

iii) Key Management Personnel : P.V. Damodaran (Director)  
: Ashish Sinha (Director)

b) Transactions with the related parties: **Nil**

#### Note: -

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



**PHARMACOR LTD.**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2016

2.8: Earnings per share are calculated as follows:-

Particulars	For the year ended 31 <sup>st</sup> March 2016.	For the year ended 31 <sup>st</sup> March 2016.	For the year ended 31 <sup>st</sup> March 2015.	For the year ended 31 <sup>st</sup> March 2015.
	KES	INR.	KES	INR.
Net profit/(loss) after tax attributable to Equity Shareholders	(5,280)	(5,304)	(5,240)	(4771)
Weighted average number of Equity Shares (No.)				
-Basic	1000	1000	1000	1000
-Diluted	1000	1000	1000	1000
Earnings per Share				
* -Basic	(5.28)	(5.30)	(5.24)	(4.77)
** -Diluted	(5.28)	(5.30)	(5.24)	(4.77)

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

2.10: Average exchange rate as on 31<sup>st</sup> March 2016 considered for the purpose of translation as referred in note no. 1.5 (i) is Rs0.637905/1KES (Rs. 0.67383/1KES)

Closing exchange rate as on 31<sup>st</sup> March 2016 considered for the purpose of translation as referred in note no. 1.5 (ii) is Rs.0.64123/1KES (Rs. 0.66414/1KES)

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

Signature to Notes 1.1 to 2.11

As per our attached report of even date

**For R S Sanghai & Associates  
Chartered Accountant**

  
**R S Sanghai**

Partner

Place : Mumbai

Date: 20<sup>th</sup> May, 2016.



**For and on behalf of the Board**

  
**P.V. Damodaran**  
Director

  
**Ashish Sinha**  
Director