

Accountant's Report on the financial statements of the foreign subsidiary of Alkem Laboratories Ltd., on its translation in Indian currency and its presentation as per Schedule – III to the Companies Act, 2013 required for the purposes of Section 129(3) of the Companies Act, 2013 and its consolidation with the financial statements of the holding company.

To,
The Board of Directors,
Alkem Laboratories Limited, India

1. The financial statements of **Ascend laboratories (UK) Limited** for the year ended 31st March, 2016 (which comprises of its Balance Sheet as at 31st March, 2016, its Profit & Loss Statement and its Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the financial statements")) are prepared by its management in United Kingdom in its reporting currency in Pound Sterling as per the requirements of the United Kingdom Laws and United Kingdom GAAPs.
2. Those financial statements are translated by the Indian management 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 M/s. Alkem Laboratories Ltd., India 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.
3. Translation of these financial statements in Indian currency and its presentation as per Schedule III to the Companies Act, 2013 and as per Indian GAAP for the purpose of Section 129(3) of the Act and for the purpose of its consolidation with the financial statements of the holding company is the responsibility of the company's management. Our responsibility is to express an opinion on the said translation and its presentation.
4. This report is issued solely for the purpose of the requirements of Section 129(3) of the Act to present these financial statements to the shareholders of the holding company M/s. Alkem Laboratories Ltd., India and for consolidation of these financial statements with the financial statements of its holding company and should not be used for any other purpose.
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.
6. We conducted our verification in accordance with the standards generally accepted in India. Those standards require that we plan and perform our work to obtain reasonable assurance about whether the financial statements are translated in Indian currency by adopting appropriate rates of foreign currency

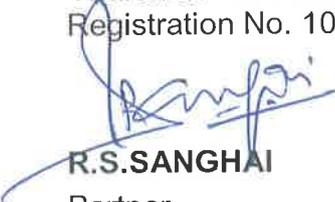


and are prepared in the formats and in the manner required by Schedule III to the Companies Act, 2013 and as per Indian GAAP. We believe that our verification provides a reasonable basis for our opinion.

7. We report that:

- a) The financial statements dealt with by this report are prepared from and are in agreement with the financial statements of Ascend laboratories (UK) Limited prepared in Pound Sterling currency as per United Kingdom GAAP for the year ended 31st March, 2016 which comprises its Balance Sheet as at 31st March, 2016, its Profit and Loss Statement and its Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information;
- b) In our opinion, the financial statements dealt with by this report are translated from Pound Sterling 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.
- c) 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.

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


R.S.SANGHAI

Partner

Membership No.: 036931

Mumbai: 20th May, 2016



ASCEND LABORATORIES (UK) LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2016

Particulars	Note No.	As at	As at	As at	As at
		31st March 2016	31st March 2016	31st March 2015	31st March 2015
		GBP	Rs.	GBP	Rs.
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	2.1	1,00,000	99,00,850	50,000	48,76,250
(b) Reserves and Surplus	2.2	41,984	38,33,858	(34,371)	(34,26,601)
		1,41,984	137,34,708	15,629	14,49,649
(2) Current Liabilities					
(a) Trade Payable	2.3	3,40,400	324,05,165	-	-
(b) Other Current Liabilities	2.4	41,198	39,21,934	27,576	25,57,833
		3,81,598	363,27,098	27,576	25,57,833
TOTAL		5,23,582	500,61,807	43,204	40,07,482
II. ASSETS					
(1) Current Assets					
(a) Cash and Cash equivalents	2.5	3,30,921	315,02,808	5,783	5,36,399
(b) Short Term Loans and Advances	2.6	7,313	6,96,182	4,921	4,56,500
(c) Trade Receivable	2.7	1,16,039	110,46,618	32,500	30,14,583
(d) Inventories		69,309	68,16,200	-	-
		5,23,582	500,61,807	43,204	40,07,482
TOTAL		5,23,582	500,61,807	43,204	40,07,482

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

Sandeep Singh

Sandeep Singh

Director

Amit Ghare

Amit Ghare

Director

ASCEND LABORATORIES (UK) LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDING 31ST MARCH 2016

Particulars	Note No.	Year Ended 31st March 2016 GBP	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 GBP	Year Ended 31st March 2015 Rs.
Revenue from operation	2.9	4,94,421	486,23,916	-	-
Other income		7,935	7,80,368	-	-
Total Revenue		5,02,356	494,04,284	-	-
Expenses:					
Purchase		3,87,793	381,37,506	-	-
Change in inventory	2.8	(69,309)	(68,16,200)	-	-
Finance costs	2.10	864	84,941	25	2,410
Other expenses	2.11	87,654	88,69,021	34,346	34,24,191
Total expenses		4,07,002	402,75,268	34,371	34,26,601
Profit (Loss) for the period		95,355	91,29,016	(34,371)	(34,26,601)
Tax Expense					
(1) Current tax		19,000	18,68,557	-	-
(2) deferred tax		-	-	-	-
Profit After Tax		76,355	72,60,459	(34,371)	(34,26,601)
Earnings per equity share:					
(1) Basic		4.06	386.24	(1.06)	(106.00)
(2) Diluted		4.06	386.24	(1.06)	(106.00)

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
Place : Mumbai
Dated : 20th May 2016




Sandeep Singh
Director


Amit Ghare
Director

ASCEND LABORATORIES (UK) LIMITED
CASH FLOW FOR THE YEAR ENDED 31ST MARCH 2016

Particulars	Current Year ending 31st March 2016		Previous Year ending 31st March 2015	
	GBP	Rs.	GBP	Rs.
A. Cash Flow from Operating activities				
Net Profit / (Loss) After Tax	95,355	91,29,016	(34,371)	(31,88,171)
Adjustments for :				
Foreign Currency Translation Reserve	-	2,48,726	-	(1,25,785)
Operating Loss before Working Capital Changes	95,355	93,77,742	(34,371)	(33,13,956)
Adjustments for :				
Inventories	(69,309)	(68,16,200)	-	-
Trade Receivables	(83,539)	(82,15,650)	(32,500)	(31,33,520)
Trade Payable	3,40,400	334,76,668	-	-
Other Current Liabilities	(5,377)	(5,28,884)	27,576	26,58,749
Short Term Provision	(2,392)	(2,35,193)	(4,921)	(4,74,510)
	1,79,784	176,80,741	(9,846)	(9,49,281)
Net Cash used in Operating Activities	2,75,138	270,58,483	(44,217)	(42,63,237)
B. Cash flow from investing activities	-	-	-	-
C. Cash flow from financing activities				
Funds raised during the year	50,000	49,17,254	50,000	48,20,800
Net cash generated from Financing activities	50,000	49,17,254	50,000	48,20,800
Net (Decrease)/ increase in cash and cash equivalents	3,25,138	319,75,737	5,783	5,57,562
Cash and cash equivalents at the beginning of the year/period	5,783	5,36,399	-	-
Cash and cash equivalents at the end of the year/period	3,30,921	325,12,136	5,783	5,57,562

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31st March 2016		As at 31st March 2015	
	GBP	Rs.	GBP	Rs.
Cash and Bank balances (Refer Note No. 2.4)	3,30,921	315,02,808	5,783	5,36,399
Exchange difference (Unrealised (Gain) / Loss)	-	10,09,329	-	21,163
Total	3,30,921	325,12,136	5,783	5,57,562

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

Sandeep Singh

Sandeep Singh

Director

Amit Ghare

Amit Ghare

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 Turnover:-

Turnover comprises revenue recognized by the company in respect of goods and services supplied during the year, exclusive of value added tax and trade discounts.

1.6 Inventories:-

Inventories are valued at the lower of cost and net realizable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.



1.7 Deferred Taxation:-

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognized only if it can be regarded as more likely than not that there will be suitable taxable profit from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at tax rates expected to be effective at the time and timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.8 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **GBP**. 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 GBP	31st March 2016 Rs.	31st March 2015 GBP	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 : 250,000 Equity Share of GBP 1/-	2,50,000	231,89,100	2,50,000	231,89,100
	2,50,000	231,89,100	2,50,000	231,89,100
ISSUED, SUBSCRIBED & PAID-UP : 250,000 Equity Share of GBP 1/- and .40 Pense called up (P.Y.250,000 Equity Share of GBP 1/- and .20 Pense called up)	1,00,000	99,00,850	50,000	48,76,250
	1,00,000	99,00,850	50,000	48,76,250

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

Particulars	As at 31st March 2016	As at 31st March 2015
Numbers of Shares Outstanding as at the beginning of the year	2,50,000	-
Shares issued during the year	-	2,50,000
shares bought back during the year	-	-
Numbers of Shares Outstanding as at the Closing of the year	2,50,000	2,50,000

(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	2,50,000	100%	2,50,000	100%

NOTE 2.2 : RESERVES AND SURPLUS

Particulars	As at	As at	As at	As at
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
Surplus in Statement of Profit and Loss				
As per last Balance Sheet	(34,371)	(34,26,601)	-	-
Profit and Loss of Current Year	76,355	72,60,459	(34,371)	(34,26,601)
Balance carried to Profit and Loss A/c	41,984	38,33,858	(34,371)	(34,26,601)



NOTE 2.3: TRADE PAYABLES

Particulars	As at 31st March 2016 GBP	As at 31st March 2016 Rs.	As at 31st March 2015 GBP	As at 31st March 2015 Rs.
Total outstanding due to creditors other than micro enterprises & small enterprises (related party)	3,40,400	324,05,165	-	-
	3,40,400	324,05,165	-	-

NOTE 2.4 : OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2016 GBP	As at 31st March 2016 Rs.	As at 31st March 2015 GBP	As at 31st March 2015 Rs.
Creditors	12,848	12,23,090	21,576	20,01,294
Accrual	9,350	8,90,095	6,000	5,56,538
Income tax payable	19,000	18,08,749		
	41,198	39,21,934	27,576	25,57,833

NOTE 2.5: CASH AND CASH EQUIVALENTS

Particulars	As at 31st March 2016 GBP	As at 31st March 2016 Rs.	As at 31st March 2015 GBP	As at 31st March 2015 Rs.
(a) Balance with Bank				
Current Account	3,30,921	315,02,808	5,783	5,36,399
	3,30,921	315,02,808	5,783	5,36,399

NOTE 2.6: SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March 2016 GBP	As at 31st March 2016 Rs.	As at 31st March 2015 GBP	As at 31st March 2015 Rs.
Vat Receivables	7,313	6,96,182	4,921	4,56,500
	7,313	6,96,182	4,921	4,56,500



NOTE 2.7 :TRADE RECEIVABLES

Particulars	As at	As at	As at	As at
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
<u>date they are due</u>				
Unsecured, considered good	1,16,039	110,46,618	32,500	30,14,583
	1,16,039	110,46,618	32,500	30,14,583

NOTE 2.8 : CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
Opening Stock :				
Work in process/ stock in transit	-	-	-	-
Finished Goods	-	-	-	-
Less : Closing Stock :				
Work in process	-	-	-	-
Finished Goods	69,309	68,16,200	-	-
	69,309	68,16,200	-	-
Exchange difference on Translation	-	-	-	-
Decrease in stocks of finished goods (includes traded goods & Work in process)	(69,309)	(68,16,200)	-	-

NOTE 2.9: OTHER INCOME

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
Other Income	7,935	7,80,368	-	-
	7,935	7,80,368	-	-

NOTE 2.10: FINANCE COST

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
Bank Charges	864	84,941	25	2,410
	864	84,941	25	2,410



NOTE 2.11: OTHER EXPENSES

Particulars	Year Ended	Year Ended	Year Ended	Year Ended
	31st March 2016 GBP	31st March 2016 Rs.	31st March 2015 GBP	31st March 2015 Rs.
Freight and quality control cost	9,363	9,20,805	5,146	4,96,157
Accounting fees	8,768	8,62,290	19,461	18,76,394
Applicable net gain/loss on foreign currency transactions and translation	-	2,48,726	-	1,12,645
Legal & Professional Fees	47,689	46,89,954	9,739	9,38,995
Logistic Fee	3,757	3,69,486	-	-
Goods Storage	13,330	13,10,915	-	-
Commission	50	4,917	-	-
Regulatory Fee	4,697	4,61,927	-	-
	87,654	88,69,021	34,346	34,24,191



ASCEND LABORATORIES (UK) LIMITED

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

2.12 Company Overview: -

The Company was incorporated on 6th August 2014 in United Kingdom under the Corporations Act Its core business is to sale and distribution of pharmaceutical products throughout United Kingdom and to provide marketing services. The Company is a wholly- owned subsidiary of Alkem Laboratories Ltd.

2.13 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 (PTY) Limited	South Africa
Alkem Pharma GmbH	Germany
Alkem Laboratories Corporation	Philippines
S & B Holdings B.V.	Netherlands
Pharmacor Pty Limited	Australia
The Pharmanetwork, LLC	United States of America
Ascends Laboratories SDN BHD.	Malaysia
Ascends Laboratories SpA	Chile
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
Alkem Laboratories (Nigeria) Limited	Nigeria
Cachet Pharmaceutical Pvt. Ltd	India
Indchemie Health specialties Pvt. Ltd	India
Alkem Real Estate LLP (upto 11.09.2015)	India

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



ASCEND LABORATORIES (UK) LIMITEDNOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST
MARCH, 2016

b) Transactions with the related parties:

Sr. No	Transaction	Holding Company	
		GBP	Rs
1.	Share Issued	- (50,000)	- (4,876,250)
2.	Call Money Received	50,000 (-)	5,024,600 (-)
3.	Purchase	340,400	33,476,668

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	
			GBP	Rs	GBP	Rs
1.	Share Issued (Alkem Laboratories Ltd)	Holding Company	-	-	50,000	4,876,250
2.	Purchase	Holding Company	340,400	33,476,668	Nil	Nil
3.	Call Money received	Holding Company	50,000	5,024,600	Nil	Nil

d) Balances due from / to the related parties:

Sr. No	Transaction	As on 31 March 2016	
		Holding Company	
		GBP	Rs
1.	Trade Payable	340,400 (-)	33,476,668 (-)



ASCEND LABORATORIES (UK) LIMITED

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

2.14: 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.
	GBP	INR.	GBP	INR.
Net profit/(loss) after tax attributable to Equity Shareholders	76,355	7,260,459	(34,371)	(34,26,601)
Weighted average number of Equity Shares (No.) -Basic -Diluted	18,798	18,798	32,466	32,466
Earnings per Share * -Basic ** -Diluted	4.06 4.06	386.24 386.24	(1.06) (1.06)	(106) (106)

2.15: The books of accounts are maintained by the Company in GBP and converted into Indian Rupees in accordance with the accounting policy stated in note 1.3 above.

2.16: Average exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no. 1.3 (i) is Rs98.3451/1GBP (Rs.96.41599/1GBP)

Closing exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no. 1.3 (ii) is Rs.95.1973(Rs.92.75640/GBP)

Signature to Notes 1.1 to 2.16

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