

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 **M/s Pharmacor Pty Limited, Australia** for the year ended 31<sup>st</sup> March, 2016 (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 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 Australia in its reporting currency in Australian Dollars as per the requirements of the Australian Laws and Australian GAAPs and have been audited by its auditors in Australia.
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 M/s Pharmacor Pty Limited, Australia prepared in Australian currency as per Australian GAAP and audited by its auditors in Australia for the year ended 31<sup>st</sup> March, 2016 which comprises its Balance Sheet as at 31<sup>st</sup> 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 Australian Dollars 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: 20<sup>th</sup> May, 2016



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

PARTICULARS	Note No.	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) Shareholders' Funds</b>					
(a) Share Capital	2.1	2,305,000	88,063,123	2,305,000	88,063,123
(b) Reserves and Surplus	2.2	(1,649,462)	(54,837,341)	(3,757,687)	(157,907,270)
		655,538	33,225,782	(1,452,687)	(69,844,147)
<b>(2) Non Current Liabilities</b>					
(a) Long Term Borrowings	2.3	5,435,450	275,494,132	5,435,450	261,332,636
		5,435,450	275,494,132	5,435,450	261,332,636
<b>(3) Current Liabilities</b>					
(a) Trade Payables	2.4	5,595,547	283,608,616	3,046,496	146,473,395
(b) Other Current Liabilities	2.5	1,627,696	82,499,265	1,107,027	53,225,083
(c) Short Term Provisions	2.6	87,729	4,446,508	-	-
		7,310,972	370,554,389	4,153,523	199,698,478
<b>TOTAL</b>		13,401,960	679,274,303	8,136,286	391,186,967
<b>II. ASSETS</b>					
<b>(1) Non Current Assets</b>					
(a) Fixed Assets	2.7				
(i) Tangible Assets		31,058	1,574,165	17,293	831,458
(ii) Intangible Assets		74	3,751	2,487	119,573
(b) Deferred Tax Asset (Net)		487,088	24,687,909	-	-
(c) Long Term Loans and Advances	2.8	62,042	3,144,580	18,328	881,197
		580,262	29,410,405	38,108	1,832,229
<b>(2) Current Assets</b>					
(a) Inventories	2.9	4,906,023	248,660,304	4,638,929	223,036,447
(b) Trade receivables	2.10	4,145,309	210,103,752	1,777,817	85,476,206
(c) Cash and Cash equivalents	2.11	3,203,770	162,382,105	1,328,823	63,888,891
(d) Short Term Loans and Advances	2.12	566,596	28,717,737	352,609	16,953,194
		12,821,698	649,863,898	8,098,178	389,354,738
<b>TOTAL</b>		13,401,960	679,274,303	8,136,286	391,186,967

**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

*[Signature]*  
**R S SANGHAI**  
 Partner

Place : Mumbai  
 Dated : 20th May, 2016



**For and on behalf of the Board**

*[Signature]*  
**Sandeep Singh**  
 Director

*[Signature]*  
**Amit Ghare**  
 Director

**PHARMACOR PTY LTD.**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	Note No.	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Revenue from operations	2.13	18,386,868	884,158,305	9,651,897	514,753,419
Other income	2.14	264,313	12,709,859	96,568	5,150,153
<b>Total Revenue</b>		<b>18,651,181</b>	<b>896,868,164</b>	<b>9,748,465</b>	<b>519,903,572</b>
Expenses:					
Purchases of Stock-in-Trade		11,943,690	574,329,055	7,522,100	401,167,406
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	2.15	(267,094)	(12,843,589)	(1,177,491)	(62,797,750)
Employee benefits expense	2.16	2,030,764	97,652,150	1,661,018	88,585,131
Finance costs	2.17	276,548	13,298,168	276,140	14,727,058
Depreciation and amortization expense		21,800	1,048,263	18,115	966,106
Other expenses	2.18	3,024,337	145,429,472	2,120,516	113,091,012
<b>Total expenses</b>		<b>17,030,045</b>	<b>818,913,518</b>	<b>10,420,398</b>	<b>555,738,964</b>
<b>Profit before tax</b>		<b>1,621,137</b>	<b>77,954,646</b>	<b>(671,933)</b>	<b>(35,835,392)</b>
<b>Tax expense</b>		<b>(487,088)</b>	<b>(23,422,308)</b>	<b>-</b>	<b>-</b>
Deferred tax Income					
<b>Profit (Loss) for the period</b>		<b>2,108,225</b>	<b>101,376,954</b>	<b>(671,933)</b>	<b>(35,835,392)</b>
<b>Earnings per equity share:-</b>					
(1) Basic		0.03	1.48	(0.01)	(0.52)
(2) Diluted		0.03	1.48	(0.01)	(0.52)

**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



**PHARMACOR PTY LTD.**
**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	Year ending 31st March 2016		Year ending 31st March 2015	
	AU \$	Rs.	AU \$	Rs.
<b>A. Cash Flow from Operating activities</b>				
-Profit before Tax	1,621,137	101,376,954	(671,933)	(47,718,808)
-Adjustments for :	-	-	-	-
-Exchange difference	10,102	-	-	11,883,411
-Depreciation	21,800	1,048,284	18,115	100,379
-Interest Expense	272,223	13,090,200	-	-
- Loss on sale of Assets	3,048	146,575	-	-
<b>Operating Profit before Working Capital Changes</b>	<b>1,928,309</b>	<b>115,662,012</b>	<b>(653,818)</b>	<b>(35,735,018)</b>
-Adjustments for :				
Inventories	(267,094)	(12,843,601)	(1,177,491)	(62,797,750)
Trade receivables	(2,367,492)	(113,844,158)	(209,776)	(11,187,750)
Short Term Loans and Advances	(213,987)	(10,289,864)	(75,406)	(4,021,541)
Trade Payables	2,538,949	122,088,916	1,352,013	72,105,338
Short term provision	87,729	4,218,572	-	-
Other Current Liabilities	298,446	14,351,194	284,017	15,147,162
Long Term Loans and Advances	(43,714)	(2,102,049)	770,017	41,066,432
Cash (used in) / Generated from Operations	1,961,146	117,241,021	289,557	14,576,873
<b>Net cash (used in) /generated from operating activities</b>	<b>1,961,146</b>	<b>117,241,021</b>	<b>289,557</b>	<b>14,576,873</b>
<b>B. Cash Flow from Investing activities</b>				
Purchase of Fixed Assets	(37,629)	(1,809,427)	(6,879)	(366,857)
Sale of Fixed Assets	1,429	68,715	-	-
<b>Net cash (used in) /generated from investing activities</b>	<b>(36,200)</b>	<b>(1,740,712)</b>	<b>(6,879)</b>	<b>(366,857)</b>
<b>C. Cash Flow from Financing activities</b>				
Payment of Interest	(50,000)	(2,404,324)	-	-
Long Term Borrowings	-	-	34,200	1,823,940
	(50,000)	(2,404,324)	34,200	1,823,940
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>1,874,947</b>	<b>113,095,985</b>	<b>316,878</b>	<b>16,033,956</b>
Cash and cash equivalents at the beginning of the period	1,328,823	63,888,891	1,011,945	55,916,438
Cash and cash equivalents at the end of the period	3,203,770	176,984,876	1,328,823	71,950,393

**Notes :**
**1) Cash and cash equivalents include :**

Particulars	As at 31.03.2016		As at 31.03.2015	
	AU \$	Rs.	AU \$	Rs.
Cash and Bank balances (Refer Note 2.11)	3,203,770	162,382,105	1,328,823	63,888,891
Exchange difference (Unrealised (Gain) / Loss)	-	14,602,771	-	8,061,502
<b>Total</b>	<b>3,203,770</b>	<b>176,984,876</b>	<b>1,328,823</b>	<b>71,950,393</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

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.

### 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 Tangible Fixed Assets and Depreciation:

- a) Tangible Fixed Assets are stated at cost, less accumulated depreciation and impairment loss, if any.
- b) Depreciation on Tangible Fixed Assets is provided on Straight Line Method (SLM) using the rates arrived at based on the useful lives of the respective assets.
- c) Following are the estimated life of fixed assets taken into consideration for depreciation: -

Assets	Estimated Useful Life
Computers	2.5 Years
Furniture & Fixtures	5 Years
Leasehold Improvements	5 Years
Website	3 Years

### 1.4 Inventories:

Inventories are measured at the lower of cost and net realizable value. Cost are assigned on a first-in, first out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.



### 1.5 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.

### 1.6 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).

### 1.7 Revenue Recognition:

- a) Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognized and the amount ultimately received is interest revenue.
- b) Revenue from the sale of goods is recognized at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods
- c) Interest is recognized using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.
- d) All revenue is stated net of the amount of goods and service tax (GST).

### 1.8 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **AU\$**. The financial statements have been translated to Indian Rupees considering the operations of the Company as "**Non-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 are translated at closing rate.
- iv) The resulting exchange difference is accounted in 'Exchange Difference on Translation Account' and is charged/credited to the Foreign Currency Translation Reserve.



PHARMACOR PTY LTD.  
NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

**Note 2.1: SHARE CAPITAL**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
(A) Authorised, Issued, Subscribed and paid - up share capital and par value per share				
<b>AUTHORISED SHARE CAPITAL :</b>				
68,313,954 Equity Shares of AU \$ each	2,305,000	88,063,123	2,305,000	88,063,123
	2,305,000	88,063,123	2,305,000	88,063,123
<b>ISSUED, SUBSCRIBED &amp; PAID-UP :</b>				
68,313,954 Equity Shares of AU \$ each	2,305,000	88,063,123	2,305,000	88,063,123
	2,305,000	88,063,123	2,305,000	88,063,123

**(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 period	68,313,954	68,313,954
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>68,313,954</b>	<b>68,313,954</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	68,313,954	100%	68,313,954	100%

**NOTE 2.2 : RESERVES AND SURPLUS**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
<b>Foreign Currency Translation Reserve</b>				
Balance as per last Balance Sheet	-	18,036,144	-	8,903,277
Add: Exchange Rate Difference on Translation (Net)	-	1,692,975	-	9,132,867
Closing Balance	-	19,729,119	-	18,036,144
<b>Surplus in Statement of Profit and Loss</b>				
As per last Balance Sheet	(3,757,687)	(175,943,414)	(3,085,754)	(140,108,022)
Profit and Loss of Current period	2,108,225	101,376,954	(671,933)	(35,835,392)
Profit available for appropriation	(1,649,462)	(74,566,460)	(3,757,687)	(175,943,414)
Balance carried to balance sheet	(1,649,462)	(54,837,341)	(3,757,687)	(157,907,270)





**NOTE 2.3: LONG TERM BORROWING**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Unsecured Loans				
Loan from Related Parties	5,435,450	275,494,132	5,435,450	261,332,636
	5,435,450	275,494,132	5,435,450	261,332,636

**Notes:**

1. There is no default, as at the balance sheet date, in repayment of any of the above loans.

**NOTE 2.4: TRADE PAYABLES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Total outstanding due to creditors other than micro enterprises & small enterprises	5,595,547	283,608,616	3,046,496	146,473,395
	5,595,547	283,608,616	3,046,496	146,473,395

**NOTE 2.5: OTHER CURRENT LIABILITIES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Withholding	32,522	1,648,366	33,703	1,620,417
Accrued Interest on Notes Payable	1,026,900	52,048,118	804,677	38,688,307
Superannuation Payable	11,840	600,125	11,471	551,518
Other Payroll Payables			540	25,963
Accrued Expenses	64,150	3,251,402	1,936	93,082
GST on Supplies	492,284	24,951,254	254,700	12,245,798
	1,627,696	82,499,265	1,107,027	53,225,083

**NOTE 2.6: SHORT TERM PROVISION**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Provision for Annual and Long service Leave	79,291	4,018,841	540	25,963
Provision for Fringe benefit tax	8,438	427,667	-	-
	87,729	4,446,508	540	25,963

**NOTE 2.8: LONG TERM LOANS AND ADVANCES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Deposits Paid	-	-	11,369	546,614
Other Prepayments	62,042	3,144,580	6,959	334,584
	62,042	3,144,580	18,328	881,197



PHARMACOR PTY LTD.  
NOTE 2.7: FIXED ASSETS

(Amount in AUS \$)

P A R T I C U L A R S	GROSS BLOCK				DEPRECIATION AND AMORTISATION				NET	
	As at 1st April 2015	Additions	Deductions	As at 31st March 2016	Up to 31st March 2015	For the Year	Deductions	Up to 31st March 2016	As at 31st March 2016	As at 31st March 2015
Tangible Asset										
Leasehold Improvements	25,544	-	25,544	-	20,766	6,003	26,769	-	-	4,778
Office Equipments	39,863	17,535	9,719	47,679	33,997	5,524	9,720	29,801	17,878	5,866
Furniture and Fixtures	27,234	18,782	13,270	32,746	20,585	7,860	8,879	19,566	13,180	6,649
	92,641	36,317	48,533	80,425	75,348	19,387	45,368	49,367	31,058	17,293
Intangible Asset										
Website	6,300	-	-	6,300	3,813	2,413	-	6,226	74	2,487
	6,300	-	-	6,300	3,813	2,413	-	6,226	74	2,487
Grant Total	98,941	36,317	48,533	86,725	79,161	21,800	45,368	55,593	31,132	19,780
Previous Year	136,896	7,481	45,436	98,941	105,878	18,115	44,832	79,161	19,780	31,018

(Amount in Rs.)

P A R T I C U L A R S	GROSS BLOCK				DEPRECIATION AND AMORTISATION						NET	
	As at 1st April 2015	Additions	Deductions	Translation	As at 31st March 2016	As at 1st April 2015	For the Year	Deductions	Translation	Up to 31st March 2016	As at 31st March 2016	As at 31st March 2015
Tangible Asset												
Leasehold Improvements	1,228,138	-	1,423,494	195,357	-	998,415	288,662.66	1,491,760	204,683	-	-	229,723
Office Equipments	1,916,588	843,195	541,616	198,209	2,416,377	1,634,532	265,629.27	541,644	151,724	1,510,240	906,137	282,056
Furniture and Fixtures	1,309,392	903,175	739,518	186,673	1,659,721	989,712	377,959.10	494,801	(870,776)	991,697	668,024	319,678
	4,454,118	1,746,370	2,704,628	580,239	4,076,098	3,622,659	932,251	2,528,206	(514,371)	2,501,937	1,574,161	831,458
Intangible Asset												
Website	302,900	-	-	16,419	319,318	183,326	129,446	-	2,791	315,562.94	3,755	119,573
	302,900	-	-	16,419	319,318	183,326	129,446	-	2,791	315,563	3,755	119,573
Grant Total	4,757,018	1,746,370	2,704,628	596,658	4,395,416	3,805,985	1,061,697	2,528,206	(511,580)	2,817,500	1,577,916	951,031
Previous Year	7,564,309	396,979	2,423,185	(783,147)	4,757,017	5,860,382	952,870	2,390,973	(606,288)	3,805,985	951,032	1,713,927



PHARMACOR PTY LTD.  
NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016  
**NOTE 2.9: INVENTORIES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Finished Goods valued at cost	3,895,476	197,441,032	3,542,906	170,340,429
Stock in Transit	1,010,547	51,219,272	1,096,023	52,696,018
	4,906,023	248,660,304	4,638,929	223,036,447

**NOTE 2.10 TRADE RECEIVABLES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Outstanding for a period exceeding six months:				
Other Trade Receivable	4,145,309	210,103,752	1,777,817	85,476,206
Considered Good	-	-	-	-
Less: Provision for doubtful trade receivables	4,145,309	210,103,752	1,777,817	85,476,206
	4,145,309	210,103,752	1,777,817	85,476,206

**NOTE 2.11: CASH AND CASH EQUIVALENTS**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
(a) Balance with Bank				
St George Bank Limited - Business Cheque Account	11,124	563,802	155,354	7,469,301
ANZ Cheque Account	355,568	18,021,845	210,173	10,104,967
USD Bank Account	188,922	9,575,436	18,595	894,035
EURO Bank Account	298,458	15,127,277	147,999	7,115,688
ANZ Online Saver	2,349,604	119,088,973	796,667	38,303,185
Petty cash	94	4,772	36	1,714
	3,203,770	162,382,105	1,328,823	63,888,891

**NOTE 2.12 SHORT TERM LOANS AND ADVANCES**

Particulars	As at 31st March 2016 AU \$	As at 31st March 2016 Rs.	As at 31st March 2015 AU \$	As at 31st March 2015 Rs.
Deposits - Rental Bond	36,282	1,838,943	28,800	1,384,684
GST On Acquisition	519,715	26,341,578	310,763	14,941,268
Deposits -customers	-	-	13,046	627,243
Loan (Unsecured)	10,599	537,216	-	-
	566,596	28,717,737	352,609	16,953,194



PHARMACOR PTY LTD.

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

NOTE 2.13 : REVENUE FROM OPERATIONS

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Sale of Product	18,662,302	897,402,933	10,036,628	535,271,827
Less : Discounts, rebates and chargebacks	(275,434)	(13,244,628)	(384,731)	(20,518,408)
<b>Net Sales</b>	<b>18,386,868</b>	<b>884,158,305</b>	<b>9,651,897</b>	<b>514,753,419</b>
	<b>18,386,868</b>	<b>884,158,305</b>	<b>9,651,897</b>	<b>514,753,419</b>

NOTE 2.14: OTHER INCOME

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Provision W/back	-	-	20,139	1,074,039
Interest Income	26,313	1,265,296	41,429	2,209,499
Other income	238,000	11,444,563	35,000	1,866,614
	<b>264,313</b>	<b>12,709,859</b>	<b>96,568</b>	<b>5,150,153</b>

NOTE 2.15 : CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Opening Stock :				
Finished Goods	4,638,929	223,036,447	3,461,438	191,266,597
Less : Closing Stock :	4,638,929	223,036,447	3,461,438	191,266,597
Finished Goods	4,906,023	248,660,304	4,638,929	223,036,447
	4,906,023	248,660,304	4,638,929	223,036,447
Effect of Foreign Exchange translation on movement of inventory	-	(12,780,268)	-	(31,027,901)
Decrease in stocks of finished goods (includes traded goods & Work in process)	(267,094)	(12,843,688.92)	(1,177,491)	(62,797,750)





PHARMACOR PTY LTD.  
NOTES FORMING PART OF THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

**NOTE 2.16 : EMPLOYEE BENEFIT EXPENSES**

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Salaries, Wages and Bonus	1,683,372	80,947,305	1,319,113	70,350,714
Welfare Expenses	202,448	9,735,002	221,515	11,813,802
Superannuation	144,944	6,969,843	120,390	6,420,615
	<b>2,030,764</b>	<b>97,652,150</b>	<b>1,661,018</b>	<b>88,585,131</b>

**NOTE 2.17 : FINANCE COST**

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Bank Interest & Charges	4,325	207,968	3,918	208,932
Interest Expenses	272,223	13,090,200	272,223	14,518,126
	<b>276,548</b>	<b>13,298,168</b>	<b>276,140</b>	<b>14,727,058</b>

**NOTE 2.18: OTHER EXPENSES**

Particulars	Year ended 31st March 2016 AU \$	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 AU \$	Year ended 31st March 2015 Rs.
Accountancy & Audit fees	42,463	2,041,869	14,472	771,796
Advertising & marketing	163,669	7,870,252	104,695	5,583,577
Applicable net gain/loss on foreign currency transactions and translation	10,102	485,770	9,228	492,159
Commission	44,967	2,162,314	54,948	2,930,500
Computer & Internet Charges	27,774	1,335,546	10,097	538,492
Electricity charges	5,446	261,871	6,313	336,669
Freight and Carriage	2,082,720	100,150,520	1,465,663	78,166,480
Insurance	44,218	2,126,271	32,327	1,724,068
Legal and Professional Fees	59,756	2,873,447	-	-
License and Registration fees	245,738	11,816,664	143,177	7,635,892
Miscellaneous Expenses	12,660	608,795	46,369	2,472,954
Postage and Telephone Expenses	34,300	1,649,371	30,715	1,638,087
Rent	98,536	4,738,227	77,639	4,140,631
Repairs and maintenance others	4,772	229,475	1,064	56,746
Travelling and Conveyance	144,168	6,932,507	123,809	6,602,961
Loss on sale of assets	3,048	146,575	-	-
	<b>3,024,337</b>	<b>145,429,472</b>	<b>2,120,516</b>	<b>113,091,012</b>



**PHARMACOR LIMITED.**

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

**2.19 Company Overview: -**

The Company was acquired on 30<sup>th</sup> June 2009 in Australia under the Corporations Act. Its core business is to sale and distribution of pharmaceutical products throughout Australia and to provide marketing services. The Company is a wholly-owned subsidiary of Alkem Laboratories Ltd.

**2.20 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
Alkem Pharma GmbH	Germany
Alkem Laboratories Corporation	Philippines
S & B Holdings B.V.	Netherlands
ThePharmanetwork, 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
Ascend Laboratories (UK) Limited	United Kingdom
Cachet Pharmaceutical Pvt. Ltd	India
Indchemie Health specialties Pvt. Ltd	India
Alkem Real estate LLP	
(upto 11 September 2015)	India

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



**PHARMACOR LIMITED.**

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

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

Sr. No	Transaction	Holding Company		Fellow Subsidiary	
		AU\$	Rs	AU\$	Rs
1.	Purchase	<b>6,701,116</b> (1,375,154)	<b>322,232,547</b> (73,339,490)	- (-)	- (-)
2.	Interest Expenses	<b>50,000</b> (50,000)	<b>2,404,320</b> (2,666,592)	<b>222,223</b> (222,222)	<b>10,685,880</b> (11,851,508)
3.	Loan Taken	- (34,200)	- (16,44,304)	- (-)	- (-)
4	Sale	<b>4,608</b> (-)	<b>221,582</b> (-)	- (-)	- (-)

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	
			AU\$	Rs	AU\$	Rs
1.	Purchase (Alkem Laboratories Ltd)	Holding Company	<b>6,701,116</b>	<b>322,232,547</b>	1,375,154	73,339,490
2.	Interest Expenses (S&B Holdings B.V.)	Fellow Subsidiary	<b>222,223</b>	<b>10,685,880</b>	222,222	11,851,508
3.	Interest Expenses (Alkem Laboratories Limited)	Holding Company	<b>50,000</b>	<b>2,404,320</b>	50,000	2,666,592
4.	Loan taken (Alkem Laboratories Ltd)	Holding Company	-	-	34,200	16,44,304
5	Sale	Holding Company	<b>4,608</b>	<b>221,582</b>	-	-



**PHARMACOR LIMITED.**

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

d) Balances due from / to the related parties as on 31.03.2016

Sr. No	Particulars	Holding Company		Fellow Subsidiary	
		AU\$	Rs	AU\$	Rs
1.	Trade Payable	<b>4,090,310</b> (1,098,902)	<b>207,316,149</b> (52,834,439)	- (-)	- (-)
2.	Interest Payable	<b>92,322</b> (92,322)	<b>4,679,299</b> (44,38,777)	<b>934,578</b> (712,355)	<b>47,368,799</b> (34,249,530)
3	Borrowings	<b>1,000,000</b> (1,000,000)	<b>50,684,700</b> (48,079,300)	<b>4,435,450</b> (4,435,450)	<b>224,809,453</b> (213,253,336)
4	Other Receivable	<b>487,555</b> (-)	<b>24,711,585</b> (-)	- (-)	- (-)

**Note: -**

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

2.21: Earnings per share are calculated as follows:-

Particulars	For the year ended 31 <sup>st</sup> March 2016. AU\$	For the year ended 31 <sup>st</sup> March 2016. INR	For the year ended 31 <sup>st</sup> March 2015. AU\$	For the year ended 31 <sup>st</sup> March 2015. INR.
Net profit/(loss) after tax attributable to Equity Shareholders	<b>2,108,225</b>	<b>101,376,954</b>	(671,933)	(35,835,392)
Weighted average number of Equity Shares (No.)				
-Basic	<b>68,313,954</b>	<b>68,313,954</b>	68,313,954	68,313,954
-Diluted	<b>68,313,954</b>	<b>68,313,954</b>	68,313,954	68,313,954
Earnings per Share				
-Basic	<b>0.03</b>	<b>1.48</b>	(0.01)	(0.52)
-Diluted	<b>0.03</b>	<b>1.48</b>	(0.01)	(0.52)

2.22: The books of accounts are maintained by the Company in AU\$ and converted into Indian Rupees in accordance with the accounting policy stated in note 1.8 above.





**PHARMACOR LIMITED.**

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

2.23: Average exchange rate as on 31<sup>st</sup> March 2016 considered for the purpose of translation as referred in note no.1.8 (i) is Rs. 48.0864/1 AU\$ (Rs. 53.3318/1AU\$)

Closing exchange rate as on 31<sup>st</sup> March 2016 considered for the purpose of translation as referred in note no. 1.8 (ii) is Rs. 50.6847/1AU\$ (Rs.48.0793/1AU\$)

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

Signature to Notes 1.1 to 2.24

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**



**Sandeep Singh**  
Director



**Amit Ghare**  
Director