

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 The Pharma Network LLC & its Subsidiaries, New Jersey, USA** for the year ended 31st March, 2016 (which comprises of its Consolidated Balance Sheet as at 31st March, 2016, its Consolidated Profit & Loss Statement and its Consolidated Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements")) are prepared by its management in USA in its reporting currency in US Dollars as per the requirements of the US Laws and US GAAPs and have been audited by its auditors in USA.
2. Those consolidated 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 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 consolidated financial statements in Indian currency and its presentation as per Schedule III to the Companies Act, 2013 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 consolidated 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. 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 consolidated financial statements of M/s The Pharma Network LLC & its Subsidiaries prepared in US currency as per US GAAP and audited by its auditors in USA for the year ended 31st March, 2016 which comprises its Consolidated Balance Sheet as at 31st March, 2016, its Consolidated Profit and Loss Statement and its Consolidated 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 US 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 consolidated 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.




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


R.S.SANGHAI

Partner
Membership No.: 036931
Mumbai: 08th June, 2016



THE PHARMANETWORK, LLC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

PARTICULARS	Note No.	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
I. EQUITY AND LIABILITIES					
(1) Shareholders' Funds					
(a) Share Capital	2.1	9,561,556	578,859,053	9,561,556	578,859,053
(b) Reserves and Surplus	2.2	26,237,053	1,787,389,648	5,540,480	365,346,161
		35,798,609	2,366,248,700	15,102,036	944,205,214
(2) Non Current Liabilities					
(a) Long Term Borrowings	2.3	-	-	72,614	4,540,553
(b) Other Long Term Liabilities	2.4	348,485	23,034,467	822,745	51,446,244.85
		348,485	23,034,467	895,359	55,986,798
(3) Current Liabilities					
(a) Short Term Borrowings	2.5	-	-	2,600,000	162,578,000
(b) Trade Payables	2.6	30,298,364	2,002,688,518	20,888,845	1,306,304,538
(c) Other Current Liabilities	2.7	11,121,907	735,145,821	21,678,905	1,355,581,930
(d) Short Term Provisions	2.8	(127,566)	(8,431,992)	12,430	777,248
		41,292,705	2,729,402,347	45,180,180	2,825,241,715
TOTAL		77,439,799	5,118,685,514	61,177,575	3,825,433,727
II. ASSETS					
(1) Non Current Assets					
(a) Fixed Assets	2.9				
(i) Tangible Assets		111,092	7,343,087	58,600	9,110,195
(ii) Intangible Assets		3,150,501	208,244,635	3,532,316	215,429,727
		3,261,593	215,587,723	3,590,915	224,539,922
(2) Current Assets					
(a) Inventories	2.10	35,075,747	2,318,468,277	18,984,063	1,187,073,478
(b) Trade receivables	2.11	36,089,224	2,385,457,994	30,990,204	1,937,817,456
(c) Cash and Cash equivalents	2.12	2,835,277	187,408,678	7,415,432	463,686,963
(d) Short Term Loans and Advances	2.13	177,958	11,762,841	196,960	12,315,909
		74,178,206	4,903,097,791	57,586,659	3,600,893,805
TOTAL		77,439,799	5,118,685,514	61,177,575	3,825,433,727
Significant Accounting Policies	1				
Notes to Accounts	2				
<p>As per our attached report of even date For R S SANGHAI & ASSOCIATES Chartered Accountants</p> <p style="text-align: center;">For and on behalf of the Board</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  R S SANGHAI Partner Place : Mumbai Dated: 8th June, 2016 </div> <div style="text-align: center;">  Sandeep Singh Director </div> <div style="text-align: center;">  Amit Ghare Director </div> </div>					



THE PHARMANETWORK, LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2016

Particulars	Note No.	Year ended 31st March 2016 USD	Year ended 31st March 2016 Rs	Year ended 31st March 2015 USD	Year ended 31st March 2015 Rs
Revenue from operations	2.14	139,036,494	9,094,341,744	105,760,850	6,459,725,534
Other income	2.15	499	32,609	809	49,413
Total Revenue		139,036,993	9,094,374,353	105,761,659	6,459,774,947
Expenses:					
Cost of materials consumed		113,260,767	7,408,357,986	70,651,524	4,315,296,771
Purchases of Stock-in-Trade					
Changes in inventories of finished goods work-in-progress and Stock-in-Trade	2.16	(14,784,503)	(967,050,560)	-1,661,439	(101,478,391)
Employee benefits expense	2.17	4,346,450	284,300,177	3,647,297	222,771,825
Finance costs	2.18	438,340	28,671,731	506,094	30,911,517
Depreciation and amortization expense		327,309	21,409,188	300,413	18,348,790
Other expenses	2.19	14,752,056	964,928,227	15,661,557	956,586,106
Total expenses		118,340,419	7,740,616,749	89,105,446	5,442,436,618
Profit before tax		20,696,573	1,353,757,604	16,656,213	1,017,338,328
Profit (Loss) for the period		20,696,573	1,353,757,604	16,656,213	1,017,338,328
Earnings per equity share:-					
(1) Basic		0.31	20.36	0.25	15.30
(2) Diluted		0.31	20.36	0.25	15.30

Singnificant Accounting Policies

1

Notes to Accounts

2

As per our attached report of even date

For R S SANGHAI & ASSOCIATES

Chartered Accountants

R S SANGHAI

Partner

Place : Mumbai

Dated: 8th June, 2016

For and on behalf of the Board

Sandeep Singh

Sandeep Singh
Director

Amit Ghare

Amit Ghare
Director



THE PHARMANETWORK, LLC AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT FOR YEAR ENDED 31ST MARCH 2016

Particulars	Year ending 31st March 2016		Year ending 31st March 2015	
	USD	Rs.	USD	Rs.
A. Cash Flow from Operating activities				
-Profit before Tax	20,696,573	1,353,757,604	16,656,213	1,017,338,328
-Adjustments for :				
-Exchange difference	-	-	-	-
-Depreciation	327,309	21,409,188	300,413	18,348,790
- Interest Expense	438,340	28,671,731	-	-
Operating Profit before Working Capital Changes	21,462,223	1,403,838,523	16,956,626	1,035,687,118
-Adjustments for :				
Inventories	(16,091,683)	(1,052,552,925)	(5,071,792)	(309,778,015)
Trade receivables	(5,099,020)	(333,525,588)	(13,124,831)	(801,646,412)
Short Term Loans and Advances	19,002	1,242,903	(138,964)	(8,487,728)
Trade Payables	9,409,519	615,474,232	11,919,222	728,009,492
Other Current Liabilities	(556,998)	(36,433,096)	17,578,919	1,073,695,909
Other Long Term Liabilities	(474,260)	(31,021,235)	(479,988)	(29,316,999)
Short Term Provisions	(139,996)	(9,157,122)	(5,500)	(335,932)
Long Term Borrowings	-	-	(29,727,386)	(1,815,707,366)
Cash (used in) / Generated from Operations	8,528,786	557,865,692	(2,093,694)	(127,879,934)
Net cash (used in) /generated from operating activities	8,528,786	557,865,692	(2,093,694)	(127,879,934)
B. Cash Flow from Investing activities				
Purchase of Fixed Assets	2,013	131,695	(133,271)	(8,140,033)
Net cash (used in) /generated from Investing activities	2,013	131,695	(133,271)	(8,140,033)
C. Cash Flow from Financing activities				
Changes in Share Capital	-	-	(851,527)	(52,010,084)
(Repayment)/ Proceed form of Short term loan	(2,600,000)	(170,065,339)	2,600,000	158,804,382
Repayment of Capital Lease	(72,614)	(4,749,663)	-	-
Repayment of Notes	(10,000,000)	(654,097,458)	-	-
Payment of Interest	(438,340)	(28,671,731)	-	-
Net cash (used in) /generated from Financing activities	(13,110,954)	(857,584,192)	1,748,473	106,794,298
Net Increase/(decrease) in cash and cash equivalents	(4,580,155)	(299,586,805)	(478,493)	(29,225,669)
Cash and cash equivalents at the beginning of the year	7,415,432	463,686,963	7,893,925	471,725,170
Cash and cash equivalents at the end of the year	2,835,277	164,100,158	7,415,432	442,499,501

Notes :

1) Cash and cash equivalents include :

Particulars	As at 31.03.2016		As at 31.03.2015	
	USD	Rs.	USD	Rs.
Cash and Bank balances (Refer Note 2.12)	2,835,277	187,408,678	7,415,432	463,686,963
Exchange difference (Unrealised (Gain) / Loss)	-	(23,308,521)	-	(7,263,739)
Total	2,835,277	164,100,158	7,415,432	456,423,224

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

As per our attached report of even date

For **R S SANGHAI & ASSOCIATES**

Chartered Accountants

R S SANGHAI

Partner

Place : Mumbai

Dated: 8th June, 2016

For and on behalf of the Board

Sandeep Singh

Sandeep Singh
Director

Amit Ghare

Amit Ghare
Director



THEPHARMANETWORK LLC

NOTES FORMING PART OF THE CONSOLIDATED 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 Nature of Business

The Pharma Network, LLC (the "Company") is engaged in development, marketing licensing of generic pharmaceuticals and active pharmaceutical ingredients (API). The Company's product line has grown to approximately twenty different products sold in various strengths and sizes which are sold to major drug wholesalers, drug chains, mass merchandisers, supermarket pharmacies and managed care companies in the United States.

1.2 Basis of preparation: -

The accompanying financial statements have been prepared under the historical cost convention in accordance with generally accepted accounting principles, and the applicable accounting standards.

1.3 Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of the ThePharmaNetwork, LLC (TPN), a New Jersey limited liability company, and its wholly-owned subsidiary, Ascend Laboratories, LLC (ASCEND) a New Jersey limited liability company. All significant intercompany transactions and accounts have been eliminated in consolidation.

1.4 S&B Holdings B.V. (formerly Alkem Laboratories B.V.)

Pursuant to a member purchase agreement, a Mumbai, India based specialty pharmaceutical manufacturing company, Alkem Laboratories Limited ("Alkem"), through a related entity, S&B Holdings B.V., a foreign company incorporated under the laws of the Netherlands, purchased 100% of the member units on July 15, 2010.

In March 2010, TPN entered into a product supply distribution agreement with Alkem, whereby Alkem will license and supply FDA approved generic pharmaceutical products to TPN, on an exclusive basis, to market, sell and distribute in the United States.

1.5 Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand and all highly liquid investments purchased with an original maturity of three months or less. The Corporation invests its excess cash primarily in deposits with major banks and in other high quality short-term liquid money market investments.



THEPHARMANETWORK LLC

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

1.6 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **USD**. 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 is translated at closing rates.
- iv) The resulting exchange difference is accounted in 'Exchange Difference on Translation Account' and is charged/credited to the Foreign Currency Translation Reserve.



THE PHARMANETWORK, LLC AND SUBSIDIARIES

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

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
NOTE 2.1 : SHARE CAPITAL				
ISSUED, SUBSCRIBED & PAID-UP :				
66501766 Units	9,561,556	578,859,053	9,561,556	578,859,053
	9,561,556	578,859,053	9,561,556	578,859,053

NOTE 2.2 : RESERVES AND SURPLUS

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Foreign Currency Reserve				
As per last Balance Sheet		(143,254,122)		(153,565,255)
Exchange Gain/Loss During the year		68,285,883		10,311,133
Closing Balance		(74,968,239)		(143,254,122)
Surplus In Statement of Profit and Loss				
As per last Balance Sheet	5,540,480	508,600,283	(11,115,734)	(508,738,045)
Prior Period Adjustment			-	-
Profit and Loss of Current Year	20,696,573	1,353,757,604	16,656,213	1,017,338,328
Profit available for appropriation	26,237,053	1,862,357,887	5,540,480	508,600,283
Balance carried to balance sheet	26,237,053	1,787,389,648	5,540,480	365,346,161

NOTE 2.3: LONG TERM BORROWING

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Insurance loan	-	-	72,614	4,540,553
	-	-	72,614	4,540,553

Notes:

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

NOTE 2.4: OTHER LONG TERM LIABILITIES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Capital Lease Payable, less current portion	348,485	23,034,467	822,745	51,446,245
	348,485	23,034,467	822,745	51,446,245



THE PHARMANETWORK, LLC AND SUBSIDIARIES

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

NOTE 2.5: SHORT TERM BORROWING

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
(A) Secured Loan				
Loans repayable on demand	-	-	2,600,000	162,578,000
	-	-	2,600,000	162,578,000

Notes:

1. There is no default, as at the balance sheet date, in repayment of any of the above loans.
2. The above loan is secured against SBLC given by Alkem Laboratories Ltd. (Ultimate Holding Company)

NOTE 2.6: TRADE PAYABLES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Total outstanding due to creditors other than micro enterprises & small enterprises	30,298,364	2,002,688,518	20,888,845	1,306,304,538
	30,298,364	2,002,688,518	20,888,845	1,306,304,538

NOTE 2.7: OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Notes Payable Current Portion	5,000,000	330,494,500	15,000,000	937,950,000
Accrued Expenses	2,653,526	175,395,173	3,152,604	197,132,328
Accrued Royalties	2,784,865	184,076,542	2,897,451	181,177,611
Payable to Employee	203,527	13,452,927	148,862	9,308,341
Capital Leases Payable, current portion	479,988	31,726,679	479,988	30,013,650
	11,121,907	735,145,821	21,678,905	1,355,581,930

NOTE 2.8: SHORT TERM PROVISION

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
For Taxation	(127,566)	(8,431,992)	12,430	777,248
	(127,566)	(8,431,992)	12,430	777,248

NOTE 2.10: INVENTORIES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Finished Goods	26,966,317	1,782,443,876	14,357,704	897,787,240
Raw Material	5,933,540	392,200,465	2,072,093	129,567,985
Work in Progress	2,175,890	143,823,936	2,554,266	159,718,253
	35,075,747	2,318,468,277	18,984,063	1,187,073,478



PARTICULARS	GROSS BLOCK					DEPRECIATION AND AMORTISATION					Amounts in USD	
	As at 1st April 2015	Additions	Deductions	Translation	As at 31st March 2016	Up to 1st April 2015	For the Year	Deductions	Translation	Up to 31st March 2016	As at 31st March 2016	As at 31st March 2015
												NET
Tangible Assets Computer & office equipment Leasehold Improvement Plant and Machinery Furniture & Fixtures	373,467 20,059 61,021 117,442 572,029	11,819 18,953 30,772	-		385,286 20,099 61,021 136,395 602,800	321,390 184 10,253 181,602 513,429	46,570 392 3,452 11,878 62,091			367,960 576 13,705 109,468 491,708	17,326 19,523 47,316 26,927 111,092	52,077 19,915 50,768 -64,160 58,600
Intangible Asset Software	379,019 857,098 2,927,314 4,163,431	6,939			385,957 857,098 2,927,314 4,064,410	120,739 510,376 631,115 4,170,370	265,218 - 265,218 4,064,410					
Goodwill - MSC, LLC Technology - Collaboration												
Grand Total	4,795,460	37,711	-	-	4,773,170	1,444,544	327,309	(39,724)	-	1,511,577	3,261,593	3,590,915
Previous Year	41,516,951	146,112	14,000	-	41,649,063	595,012	260,028	10,909		844,131	40,804,932	40,921,939
						4,773,170						
PARTICULARS	GROSS BLOCK					DEPRECIATION AND AMORTISATION					Amounts in INR	
	As at 1st April 2015	Additions	Deductions	Translation	As at 31st March 2016	Up to 1st April 2015	For the Year	Deductions	Translation	Up to 31st March 2016	As at 31st March 2016	As at 31st March 2015
												NET
Tangible Assets Computer & Peripherals Leasehold Improvements Vehicle Plant and Machinery Furniture & Fixtures	23,352,869 1,256,804 3,815,643 7,343,648 35,768,965	773,076 2,012,773	- - - - -	1,341,010 71,899 217,788 432,200	25,486,955 1,328,503 4,033,432 9,015,546 39,844,435	20,086,506 11,506 641,120 5,909,638 25,658,770	3,046,113 25,616 225,791 763,848 4,061,368	- - - - -	1,179,102 926 38,970 6,044,333 7,263,332	24,321,721 38,048 905,861 7,235,698 32,501,348	1,145,234 1,250,455 3,127,550 1,779,848 7,343,087	3,256,363 1,245,299 3,174,523 1,434,010 9,110,195
Intangible Assets Software	23,700,031 53,594,338 183,044,944 260,339,314	453,873			25,511,366 56,653,235 183,452,262 275,656,963	12,995,775 31,913,611 44,909,586 71,568,356	17,347,842 - - 17,347,842					
Goodwill - MSC, LLC Technology - Collaboration												
Gross Total	296,108,278	2,466,646	-	16,925,374	315,501,298	21,409,210	21,409,210	(2,598,319)	4,337,705	99,913,576	215,587,723	224,539,922
Previous Year	1,969,233,147	135,642,270	416,132	5,491,361	1,969,233,147	25,635,709	5,883,200	416,132	1,238,963	32,341,830	1,936,891,317	1,802,879,939



THE PHARMANETWORK, LLC AND SUBSIDIARIES

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

NOTE 2.11: TRADE RECEIVABLES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
<u>Outstanding for a period of less than six months from date they are due</u>				
Unsecured, considered good	36,089,224	2,385,457,994	30,990,204	1,937,817,456
	36,089,224	2,385,457,994	30,990,204	1,937,817,456

NOTE 2.12: CASH AND CASH EQUIVALENTS

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
(a) Balance with Bank				
Current Account	2,835,277	187,408,678	7,415,432	463,686,963
	2,835,277	187,408,678	7,415,432	463,686,963

NOTE 2.13 SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March 2016 USD	As at 31st March 2016 Rs.	As at 31st March 2015 USD	As at 31st March 2015 Rs.
Loans and advances	124,734	8,244,809	24,734	1,546,617
Prepaid Expenses	53,224	3,518,032	172,226	10,769,292
	177,958	11,762,841	196,960	12,315,909

NOTE 2.14 : REVENUE FROM OPERATIONS

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Sale of Product	280,325,902	18,336,046,003	210,587,407	12,862,385,752
Less : Discounts, rebates and chargebacks	(141,289,408)	(9,241,704,259)	(105,149,212)	(6,422,367,536)
Net Sales	139,036,494	9,094,341,744	105,438,195	6,440,018,216
Service Revenue and Fees	-	-	(100,246)	(6,122,886)
Commission and Royalties	-	-	422,901	25,830,205
	139,036,494	9,094,341,744	105,760,850	6,459,725,534



THE PHARMANETWORK, LLC AND SUBSIDIARIES

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

NOTE 2.15: OTHER INCOME

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Interest Income	499	32,609	809	49,413
	499	32,609	809	49,413

NOTE 2.16 : CHANGES IN INVENTORIES OF FINISHED GOODS WORK-IN-PROGRESS AND STOCK-IN-TRADE

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Opening Stock :				
Stock in Trade	14,357,704	897,787,240	10,897,733	659,588,105
Work in process	-	-	1,798,532	108,856,614
	14,357,704	897,787,240	12,696,265	768,444,719
Less : Closing Stock :				
Stock in Trade	26,966,317	1,782,443,876	14,357,704	897,787,240
	29,142,207	1,926,267,812	14,357,704	897,787,240
Effect of Foreign Exchange translation on movement of Inventory	-	(61,430,012)	-	27,864,130
Decrease in stocks of finished goods (includes traded goods & Work in process)	(14,784,503)	(967,050,560)	(1,661,439)	(101,478,391)

NOTE 2.17 : EMPLOYEE BENEFIT EXPENSES

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Salaries, Wages and Bonus	3,724,754	243,635,200	3,296,030	201,316,925
Welfare Expenses	621,696	40,664,977	351,267	21,454,900
	4,346,450	284,300,177	3,647,297	222,771,825

NOTE 2.18 : FINANCE COST

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Interest Expenses	438,340	28,671,731	506,094	30,911,517
	438,340	28,671,731	506,094	30,911,517



THE PHARMANETWORK, LLC AND SUBSIDIARIES

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

NOTE 2.19: OTHER EXPENSES

Particulars	Year Ended 31st March 2016 USD	Year Ended 31st March 2016 Rs.	Year Ended 31st March 2015 USD	Year Ended 31st March 2015 Rs.
Office expenses	174,584	11,419,518	349,213	21,329,444
Professional Fees	1,739,238	113,763,084	2,847,359	173,912,725
Royalty paid on sale	5,449,553	356,453,888	4,822,713	294,564,598
Consulting	302,053	19,757,211	244,847	14,954,914
Rent	169,935	11,115,385	220,692	13,479,560
Utilities	5,866	383,694	5,734	350,225
Repairs and maintenance	1,846	120,748	8,543	521,795
Insurance	462,680	30,263,796	343,301	20,968,347
Bank Services Charges	33,337	2,180,575	13,602	830,791
Licenses and Fees	32,631	2,134,407	17,346	1,059,470
Bad Debts	226,231	14,797,713	210,234	12,840,800
Research and Developmnet	135,079	8,835,486	-	-
Commissions	842,706	55,121,185	350,718	21,421,367
Distribution and logistics	2,967,258	194,087,594	3,142,749	191,954,735
Marketing/Selling & Promotion Expenses	426,011	27,865,290	322,767	19,714,159
Telephone	72,006	4,709,877	65,943	4,027,707
Entertainment	95,992	6,278,808	83,224	5,083,206
Travelling and lodging	608,871	39,826,091	401,054	24,495,820
Automobile	1,612	105,430	10,250	626,056
Computer maintenance	414,573	27,117,082	199,632	12,193,245
General Administration	589,994	38,591,366	2,001,636	122,257,141
	14,752,056	964,928,227	15,661,557	956,586,106



THE PHARMANETWORK LLC

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

2.20 Company Overview: -

The Company was acquired on 15th July 2010 in USA under the Corporations Act. Its core business is to sale and distribution of pharmaceutical products throughout USA and to provide marketing services. The Company is a wholly-owned subsidiary of S&B Holdings B.V. (Netherlands)

2.21 Capital Lease payable

The Company had the following is a schedule of future minimum lease payments and the present value of the net minimum lease payments as of capital leases as of March 31, 2016.

Capital Lease payable to Covidien amounting to USD 828,473 (INR 54,761,154). A lease relating to the license of technology has been accounted for as a capital lease, payable over 5 years at \$39,999 a month. The lease became effective in January 2013. The amortization schedule was computed with the balance. Any payments in arrears have been recorded as current liabilities.

Capital Lease payable to Key Equipment Leasing

An office equipment lease payable over 63 months at \$213 per month commenced in May 2008. The lease has an effective rate of interest of 9.46%. Current Portion USD 474,260 (INR 31,348,097)

The following is a schedule of future minimum lease payments required under the capital lease agreements inclusive of all related charges:

	Amount	
2017	USD 354,212.5	INR 23,413,057

Amortization of assets held under capital leases is included with depreciation expense. Accumulated amortization of intangible assets was \$705,532 (INR 46,634,889) as of 3/31/16.

2.22 Operating lease

The Company leases three facilities for various terms under non-cancelable operating lease agreements as follows:

The Company maintains a lease for the office located at 180 Summit Avenue, Suite 200, Montvale, NJ 07645. This lease was modified and extended on December 31, 2009 to include additional space with the lease term extending to December 15, 2015 at a base rent of \$9,274 (INR 606,610) from May 1, 2010 to lease expiration. On February 1, 2013, the lease was modified due to an exchange of office space. The lease was extended to April 30, 2018 with a new monthly payment of \$9,153 (INR 598,695). In addition, the agreement requires the Company to pay executory costs (real estate taxes, operating costs, and repairs) which amounted to \$4,007 (INR 262,097) for the year.

A sales office is leased at 1268 Main Street, Suite 201, Newington, CT 0611 under a lease originating on October 2, 2012 and expiring March 31, 2018 for 1,710 square feet. On April 1, 2013, a Commencement Date Agreement revised the dates to April 1, 2013 through March 31, 2018. Accordingly, the schedule for basic minimum rent commencement date was modified: \$3,064 from April 1, 2013



THE PHARMANETWORK LLC

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

to March 31, 2015; \$3,135 (from April 1, 2015 to March 31, 2016 and \$3,206 (INR 211,913) from April 1, 2016 to March 31, 2018.

Lease expenses totaled \$169,935 (INR 11,115,404) and \$191,534 (INR 11,592,653) for the years ended March 31, 2016 and 2015, respectively.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

Year ending March 31	Amount (USD)	Amount (INR)
2017	148,308	9,802,996
2018	148,308	9,802,996
2019	9,153	605,003
Total	305,769	20,210,995

2.23 NOTE 11 – 401(k) Plan (Employee Benefit)

The Company has maintained a 401(k) Safe Harbor Profit Sharing Plan ("Plan") to provide retirement and incidental benefits for its eligible employees. Employees may contribute from 1% to 15% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Company contributes 100% of each dollar of elective contributions each eligible participant makes each plan year, up to the limit of 4% of gross pay. All safe harbor contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the board of directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants. Discretionary contributions are fully vested after six years of employment. The Plan requires that the contribution be placed in a trust fund in accordance with the Group Annuity Contract between the trustee, Chase Manhattan Bank, N.A. and the Equitable Life Assurance.

Company matching contributions to the Plan totaled \$121,393 (INR 810,623) and \$79,066 (INR 4,829,240) for the years ended March 31, 2016 and 2015, respectively. No discretionary contributions were made in either year.

2.24 Sale of Members' Interests, Contingent Liability

On July 15, 2010, 100% of the existing members' ownership interests were sold to S&B Holding BV. Under the terms of the agreement, the minority shareholders received defined amounts while the majority members were to be paid on a contingent arrangement based on the Company performance for the five years following the transaction date.

2.25 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:
 - a. Alkem Laboratories Limited (Ultimate Holding Company)
 - b. S&B Holdings B.V. (Holding Company)



THE PHARMA NETWORK LLC

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

ii) Subsidiaries

Ascend Laboratories, LLC

United States of America

iii) Fellow Subsidiaries:

Alkem Laboratories (NIG) Limited

Nigeria

Alkem Laboratories (PTY) Limited

South Africa

Alkem Pharma GmbH

Germany

Alkem Laboratories Corporation

Philippines

Pharmacor Pty Limited

Australia

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 laboratories (UK) Ltd (w.e.f. 6th Aug 2014)

United Kingdom

Cachet pharmaceuticals private Ltd

India

Indchemie Health Specialties Ltd

India

Alkem Real Estate LLP (Upto 11 September 2015)

India

iv) Key Management Personnel : Mr. Sandeep Singh (Director)

: Mr. Amit Ghare (Director)

b) Transactions with the related parties:

Sr. No	Transaction	Ultimate Holding / Holding Company		Fellow Subsidiary	
		USD	Rs	USD	Rs
1.	Purchase	63,035,223 (26,045,368)	4,123,115,026 (1,590,814,802)	- (-)	- (-)
2.	Loan Taken	- (-)	- (-)	- (10,000,000)	- (61,078,608)
3.	Loan Given	- (-)	- (-)	350,000 (-)	22,893,395 (-)

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

S N	Transactions	Related Party Relation	For the year ended 31.03.2016		For the year ended 31.03.2015	
			USD	Rs	USD	Rs
1.	Purchase (Alkem Laboratories Ltd)	Ultimate Holding Company	61,251,443	4,006,438,511	26,045,368	1,590,814,802
2.	Loan Taken (S&B Pharma Inc)	Fellow Subsidiary	-	-	10,000,000	61,078,608
3.	Loan given (Ascend Laboratories Chile)	Fellow Subsidiary	350,000	22,893,395	-	-



THEPHARMANETWORK LLC

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

d) Balances due from / to the related parties:

Sr. No	Particulars	Ultimate Holding Company/ Holding Company		Fellow Subsidiary	
		USD	Rs	USD	Rs
1.	Trade Payable	24,788,922 (15,416,025)	1,638,520,476 (963,964,043)	- (-)	- (-)
2.	Other payable	228,639 (-)	15,112,780 (-)	- (-)	- (-)
3.	Trade Receivable	1,841,887 (68,421)	121,746,705 (42,78,349)	- (-)	- (-)
4.	Other receivables	7,090,866 (-)	468,698,443 (-)	- (-)	- (-)
5.	Borrowing	- (49,869)	- (3,118,309)	- (-)	- (-)
6.	Loans and Advances	-	-	350,000	23,134,615

Note: -

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

2.26: Earnings per share are calculated as follows:-

Particulars	For the year ended 31st March 2016.	For the year ended 31st March 2016.	For the year ended 31st March 2015.	For the year ended 31st March 2015.
	USD	INR	USD	INR
Net profit/(loss) after tax attributable to Equity Shareholders	20,696,573	1,353,757,604	16,656,213	1,017,338,328
Weighted average number of Equity Shares (No.)	6,65,01,766	6,65,01,766	6,65,01,766	6,65,01,766
Earnings per Share				
-Basic	0.31	20.36	0.25	15.30
-Diluted	0.31	20.36	0.25	15.30



THEPHARMANETWORK LLC

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

2.27: The books of accounts are maintained by the Company in USD and converted into Indian Rupees in accordance with the accounting policy stated in note 1.20 above.

2.28: Average exchange rate as on 31st March 2016 considered for the purpose of translation as referred in note no. 1.20 (i) is Rs. 65.4097/1USD (Rs. .61.0786/1USD).

Closing exchange rate as on 31st March, 2015 considered for the purpose of translation as referred in note no. 1.20 (ii) is Rs. 66.0989/1USD (Rs. 62.530/1USD)

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

Signature to Notes 1.1 to 2.29

As per our attached report of even date
For R S Sanghai & Associates
Chartered Accountant


R S Sanghai

Partner

Place: Mumbai


Date: 08th June, 2016

For and on behalf of the Board



Sandeep Singh

Director



Amit Ghare

Director

