

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 LLP, Kazakhstan** 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 Kazakhstan in its reporting currency in Kazakhstani Tenge as per the requirements of the Kazakhstani Laws and Kazakhstani 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 M/s The Pharma Network LLP, Kazakhstan prepared in Kazakhstani currency as per Kazakhstani GAAP 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 Kazakhstani Tenge 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

**THE PHARMA NETWORK LLP**  
**BALANCE SHEET AS AT 31ST MARCH, 2016**

PARTICULARS	Note No.	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
<b>I. EQUITY AND LIABILITIES</b>					
<b>(1) Shareholders' Funds</b>					
(a) Share Capital	2.1	547,766,800	100,530,000	161,800	60,401
(b) Reserves and Surplus	2.2	(281,628,112)	(43,597,033)	(90,342,716)	(30,290,722)
		266,138,688	56,932,967	(90,180,916)	(30,230,321)
<b>(2) Non Current Liabilities</b>					
(a) Long Term Borrowings	2.3	73,757,900	14,091,889	39,903,611	13,242,811
		73,757,900	14,091,889	39,903,611	13,242,811
<b>(3) Current Liabilities</b>					
(a) Trade Payables	2.4	173,581,462	33,163,780	335,229,561	111,252,634
(b) Other Current Liabilities	2.5	25,412,092	4,855,133	3,541,938	1,175,463
(c) Short Term Provisions	2.6	20,264,946	3,871,740	-	-
		219,258,500	41,890,652	338,771,499	112,428,097
<b>TOTAL</b>		559,155,088	112,915,509	288,494,194	95,440,588
<b>II. ASSETS</b>					
<b>(1) Non Current Assets</b>					
(a) Fixed Assets	2.7				
(i) Tangible Assets		49,513,105	15,531,770	37,709,654	12,446,790
(ii) Intangible Assets		26,791	18,701	87,780	34,641
		49,539,896	15,550,471	37,797,434	12,481,431
<b>(2) Current Assets</b>					
(a) Inventories	2.8	140,762,509	26,893,522	81,256,699	26,727,083
(b) Trade receivables	2.9	258,144,331	49,320,021	135,998,977	45,133,980
(c) Cash and Cash equivalents	2.10	105,698,337	20,194,302	21,308,058	7,071,505
(d) Short Term Loans and Advances	2.11	4,238,890	809,865	2,903,664	963,639
(e) Other current assets	2.12	771,125	147,328	9,229,362	3,062,949
		509,615,192	97,365,038	250,696,760	82,959,157
<b>TOTAL</b>		559,155,088	112,915,509	288,494,194	95,440,588

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

**Rajesh Dubey**  
Director

**Somdutta Awasthi**  
Director

**THE PHARMA NETWORK LLP**  
**STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	Note No.	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Revenue from Operations	2.13	771,964,855	201,762,600	393,754,479	129,624,959
Other income	2.14	1,031,981	269,721	54,558,302	17,960,730
<b>Total Revenue</b>		<b>772,996,836</b>	<b>202,032,321</b>	<b>448,312,781</b>	<b>147,585,688</b>
Expenses:					
Purchase of Stock-in-Trade		328,721,536	85,915,455	244,423,689	80,442,065
Changes in Inventories of Finished Goods	2.15	(59,505,810)	(15,552,582)	48,097,857	22,566,542
Employee benefits expense	2.16	179,052,621	46,797,626	81,382,266	26,791,245
Finance costs	2.17	4,425,904	1,156,765	3,745,378	1,232,988
Depreciation		17,392,564	4,545,763	8,597,857	2,830,436
Other expenses	2.18	490,288,631	91,454,519	113,127,700	38,572,661
<b>Total expenses</b>		<b>960,375,446</b>	<b>214,317,545</b>	<b>499,374,748</b>	<b>172,435,937</b>
<b>Profit (Loss) for the period</b>		<b>(187,378,610)</b>	<b>(12,285,224)</b>	<b>(51,061,967)</b>	<b>(24,850,249)</b>
Income tax		3,906,786	1021087	(818,961)	(269,604)
<b>Profit (Loss) Carry forward to Balance Sheet</b>		<b>(191,285,396)</b>	<b>(13,306,311)</b>	<b>(51,880,929)</b>	<b>(25,119,853)</b>
<b>Earnings per equity share:-</b>					
(1) Basic		-	-	-	-
(2) Diluted		-	-	-	-

**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**

**Rajesh Duboy**  
Director

**Somdutta Awasthi**  
Director



**THE PHARMA NETWORK LLP**  
**CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016**

Particulars	Year ending 31st March 2016		Year ending 31st March 2015	
	TENGE	Rs.	TENGE	Rs.
<b>A. Cash Flow from Operating activities</b>				
-Profit before Tax	(187,378,610)	(12,285,224)	(51,880,929)	(25,119,853)
-Adjustments for :				
-Exchange difference (see note 1 below)	359,242,005	57,203,855	-	8,040,125
-Depreciation	17,392,564	4,545,763	8,597,857	2,830,436
- Interest Expense	4,410,401	1,152,713	-	-
- provision for doubtful debts	1,329,834	347,569	-	-
- provision for goods	3,261,472	852,426	-	-
- provision for Leave	16,284,921	4,256,266	-	-
<b>Operating Profit before Working Capital Changes</b>	<b>214,542,587</b>	<b>56,073,368</b>	<b>(43,283,072)</b>	<b>(14,249,292)</b>
-Adjustments for :				
Inventories	(62,315,824)	(16,287,014)	39,541,170	13,017,052
Trade Receivable	(123,475,188)	(32,271,774)	(16,847,088)	(5,546,104)
Other current assets	8,458,237	2,210,665	(1,976,282)	(650,360)
Short Term Loans and Advances	(1,335,226)	(348,978)	101,800	33,513
Trade Payables	(487,035,815)	(127,292,858)	48,623,203	16,006,880
Other Current Liabilities	17,081,534	4,464,471	(1,490,937)	(490,820)
Long Term Loans and Advances	-	-	699,428	230,253
Short term Provision	-	-	-	-
<b>Cash (used in) / Generated from Operations</b>	<b>(434,079,695)</b>	<b>(113,452,119)</b>	<b>25,368,222</b>	<b>8,351,123</b>
<b>Net cash (used in) /generated from operating activities</b>	<b>(434,079,695)</b>	<b>(113,452,119)</b>	<b>25,368,222</b>	<b>8,351,123</b>
<b>B. Cash Flow from Investing activities</b>				
Purchase of Fixed Assets	(29,135,026)	(7,614,801)	(45,654,584)	(15,029,603)
Sale of Fixed assets	-	-	-	-
<b>Net cash (used in) /generated from Investing activities</b>	<b>(29,135,026)</b>	<b>(7,614,801)</b>	<b>(45,654,584)</b>	<b>(15,029,603)</b>
<b>C. Cash Flow from Financing activities</b>				
Long Term Borrowings	-	-	30,801,611	10,139,967
Proceed from issue of Shares	547,605,000	143,123,366	-	-
<b>Net cash (used in) /generated from Financing activities</b>	<b>547,605,000</b>	<b>143,123,366</b>	<b>30,801,611</b>	<b>10,139,967</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>84,390,279</b>	<b>22,056,446</b>	<b>10,515,249</b>	<b>3,461,487</b>
Cash and cash equivalents at the beginning of the year	21,308,058	7,071,505	10,792,808	3,504,964
Cash and cash equivalents at the end of the year	105,698,337	29,127,951	21,308,057	6,966,451

**Notes :**

1) Cash and cash equivalents include :

Particulars	As at 31.03.2016		As at 31.03.2015	
	TENGE	Rs.	TENGE	Rs.
Cash and Bank balances (Refer Note 2.10)	105,698,337	20,194,302	21,308,058	7,071,505
Exchange difference (Unrealised (Gain) / Loss)	-	8,933,649	-	(105,055)
<b>Total</b>	<b>105,698,337</b>	<b>29,127,951</b>	<b>21,308,058</b>	<b>6,966,451</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  
**R S SANGHAI & ASSOCIATES**  
Chartered Accountants

**R S SANGHAI**

Partner

Place : Mumbai

Dated : 20th May, 2016

For and on behalf of the Board

**Rajesh Dubey**  
Director

**Somdutta Awasthi**  
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. Depreciation on amounts of additions to fixed assets during the year or on its disposal/ demolition/ destruction of fixed assets during the year is provided on pro-rata basis.
- c) Following are the estimated life of fixed assets taken into consideration for depreciation:

Assets	Estimated Useful Life
Office Equipment	4 Years
Computer Software	2.5 Years
Furniture & Fixtures	5 – 6 Years
Vehicles	3 – 6 Years

**1.4 Inventories:**

Inventories include Stock in trade. Stock In Trades are valued at lower of cost or net realizable value.



### 1.5 Revenue Recognition:

- a) Revenue is recognized to the extents that it is probable that the economic benefits will flow to the company and can be reliably measured.
- b) Revenue from sale of products is recognized when the significant risks rewards of ownership of the goods have passed on to the buyer which is generally on dispatch of goods.

### 1.6 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.

### 1.7 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).

### 1.8 Translation to Indian Rupees: -

The local accounts are maintained in local and functional currency, which is the **Tenge**. The financial statements have been translated to Indian Rupees considering the operations of the Company as " **Integral operations** " for the parent company on the following basis –

- i) All income and expenses are translated at the average rate of exchange prevailing during the period.
- ii) Monetary assets and liabilities are translated at the closing rate on the Balance sheet date.
- iii) Non-monetary assets and liabilities and share capital is translated at historical rates.
- iv) The resulting exchange difference is accounted in 'Exchange Difference on Translation Account' and is charged/credited to the Profit and Loss Account.



THE PHARMA NETWORK LLP  
NOTES FORMING PART OF THE BALANCE SHEET

**NOTE 2.1 : CHARTER CAPITAL**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Charter Capital	547,766,800	100,530,000	161,800	60,401
	547,766,800	100,530,000	161,800	60,401

**NOTE 2.2 : RESERVES AND SURPLUS**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
<b>Surplus In Statement of Profit and Loss</b>				
As per last Balance Sheet	(90,342,716)	(30,290,722)	(38,461,788)	(5,170,869)
Profit and Loss of Current Period	(191,285,396)	(13,306,311)	(51,880,929)	(25,119,853)
Less: Appropriations:	(281,628,112)	(43,597,033)	(90,342,716)	(30,290,722)
Transfer to General Reserve	(281,628,112)	(43,597,033)	(90,342,716)	(30,290,722)
Balance carried to Profit and Loss A/c	(281,628,112)	(43,597,033)	(90,342,716)	(30,290,722)

**NOTE 2.3: LONG TERM BORROWING**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Unsecured Loans				
Loans and Advances from related parties	73,757,900	14,091,889	39,903,611	13,242,811
	73,757,900	14,091,889	39,903,611	13,242,811

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 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Total outstanding due to creditors other than micro enterprises & small enterprises	2,139,330	408,732	4,100,876	1,360,958
Payable to Alkem	171,442,132	32,755,048	331,128,685	109,891,677
	173,581,462	33,163,780	335,229,561	111,252,634

**NOTE 2.5: OTHER CURRENT LIABILITIES**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Other Payables	2,984,440	570,195	398,028	132,093
Employee Related Payables	13,194,740	2,520,934	1,903,819	631,821
Advances received	1,336,384	255,324	-	-
Interest payable	7,896,528	1,508,679	1,240,091	411,549
	25,412,092	4,855,133	3,541,938	1,175,463





**THE PHARMA NETWORK LLP**  
**NOTES FORMING PART OF THE BALANCE SHEET.**

**Note 2.7 Fixed Assets**

PARTICULARS	Gross Block				Depreciation and Amortisation				Amount in Tenge	
	As at 1st April 2015	Additions	Deletion	As at 31st March 2016	As at 1st April 2015	For the period	Deletion	As at 31st March 2016	As at 31st March 2016	As at 31st March 2015
<b>Tangible Asset</b>										
Furniture and Fixtures	357,120	1,217,620	32,150	1,542,590	66,285	133,389	10,850	188,824	1,353,766	201,115
Vehicle	44,571,630	26,318,998	-	70,890,628	8,169,241	16,483,935	-	24,653,176	46,237,453	-
Office Equipment	1,397,949	1,619,709	-	3,017,658	381,519	714,252	-	1,095,771	1,921,887	428,868
	46,326,699	29,156,327	32,150	75,450,876	8,617,045	17,331,576	10,850	25,937,771	49,513,105	629,984
<b>Intangible Asset</b>										
Computer Software	155,470	-	-	155,470	67,690	60,989	-	128,679	26,791	110,723
	155,470	-	-	155,470	67,690	60,989	-	128,679	26,791	110,723
	46,482,169	29,156,327	32,150	75,606,346	8,684,736	17,392,565	10,850	26,066,450	49,539,896	740,707
<b>Total</b>		2,257,475		2,257,475	217,350.00	217,350		217,350	2,040,125	
<b>Previous Period</b>										

Amount in Rs.

PARTICULARS	Gross Block				Depreciation and Amortisation				Amount in Rs.	
	As at 1st April 2015	Additions	Deletion	As at 31st March 2016	As at 1st April 2015	For the period	Deletion	As at 31st March 2016	As at 31st March 2016	As at 31st March 2015
<b>Tangible Asset</b>										
Furniture and Fixtures	128,997	318,240	8,403	438,835	22,821	34,863	2,835.78	54,848	383,986	106,176
Vehicle	14,673,092	6,878,797	-	21,551,889	2,689,334	4,308,281	-	6,997,615	14,554,274	11,983,758
Office Equipment	485,537	423,331	-	908,868	128,681	186,679	-	315,359	593,509	366,857
	15,287,626	7,620,368	8,403	22,899,592	2,840,836	4,529,823	2,836	7,367,822	15,531,770	12,446,790
<b>Intangible Asset</b>										
Computer Software	57,348	-	-	57,348	22,707	15,940	-	38,647	18,701	34,641
	57,348	-	-	57,348	22,707	15,940	-	38,647	18,701	34,641
	15,344,974	7,620,368	8,403	22,956,940	2,863,543	4,545,763	2,836	7,406,470	15,550,470	12,481,431
<b>Total</b>		3,134,189		3,134,189	301,760	301,760		297,228		
<b>Previous Period</b>										



**NOTE 2.6 : SHORT TERM PROVISIONS**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
For Taxation	3,528,567	674,154		
For goods	451,458	86,254		
For Unused vacation	16,284,921	3,111,332		
	20,264,946	3,871,740		

**NOTE 2.8 : INVENTORIES**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Finished Goods valued at cost	140,762,509	26,893,522	81,256,699	26,727,083
	140,762,509	26,893,522	81,256,699	26,727,083

**NOTE 2.9 : TRADE RECEIVABLES**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Outstanding for more than six months				
Other Trade receivables Unsecured, considered good	258,144,331	49,320,021	135,998,977	45,133,980
	258,144,331	49,320,021	135,998,977	45,133,980

**NOTE 2.10 : CASH AND CASH EQUIVALENTS**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
(a) Balance with Bank Current Account	105,254,071	20,109,422	21,155,289	7,020,806
(b) Cash In Hand	444,266	84,880	152,769	50,699
	105,698,337	20,194,302	21,308,058	7,071,505

**NOTE 2.11 : SHORT TERM LOANS AND ADVANCES**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Loans and advances for Goods	4,238,890	809,865	2,903,664	963,638.97
	4,238,890	809,865	2,903,664	963,639

**NOTE 2.12 : OTHER CURRENT ASSETS**

Particulars	As at 31st March 2016 TENGE	As at 31st March 2016 Rs.	As at 31st March 2015 TENGE	As at 31st March 2015 Rs.
Prepaid Expenses	460,762	88,031	588,573	195,329.70
Other Current Assets	310,363	59,297	8,640,790	2,867,619
	771,125	147,328	9,229,362	3,062,949



THE PHARMA NETWORK LLP  
NOTES FORMING PART OF THE BALANCE SHEET

**NOTE 2.13 : REVENUE FROM OPERATIONS**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Sale of Product	771,964,855	201,762,600	393,754,479	129,624,959
	771,964,855	201,762,600	393,754,479	129,624,959

**NOTE 2.14 : OTHER INCOME**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Applicable net gain/loss on foreign currency transactions and translation	1,031,981	269,721	54,558,302	17,960,730
Other Income	1,031,981	269,721	54,558,302	17,960,730

**NOTE 2.15 : CHANGES IN INVENTORIES OF FINISHED GOODS**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Opening Stock :				
Finished Goods	81,256,699	29,566,791	129,354,556	49,293,626
	81,256,699	29,566,791	129,354,556	49,293,626
Less : Closing Stock :				
Finished Goods	140,762,509	26,893,522	81,256,699	26,727,083
	140,762,509	26,893,522	81,256,699	26,727,083
Exchange		18,225,851		
Decrease / Increase in stocks of finished goods	(59,505,810)	(15,552,582)	48,097,857	22,566,542

**NOTE 2.16 : EMPLOYEE BENEFIT EXPENSES**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Salaries, Wages and Bonus	179,052,621	46,797,626	81,382,266	26,791,245
	179,052,621	46,797,626	81,382,266	26,791,245

**NOTE 2.17 : FINANCE COST**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Interest On Loan	4,410,401	1,152,713	1,223,829	402,888
Bank Charges	15,503	4,052	2,521,549	830,100
	4,425,904	1,156,765	3,745,378	1,232,988



THE PHARMA NETWORK LLP  
NOTES FORMING PART OF THE BALANCE SHEET

**NOTE 2.18 : OTHER EXPENSES**

Particulars	Year ended 31st March 2016 TENGE	Year ended 31st March 2016 Rs.	Year ended 31st March 2015 TENGE	Year ended 31st March 2015 Rs.
Stores and Spares	1,729,975	452,150	226,680	74,624
Expiry and breakage	4,080,479	1,066,484	44,371,691	2,177,819
Legal & Professional Charges	12,756,838	3,334,158	3,052,998	1,005,054
Vehicle Expenses	5,742,342	1,500,832	2,028,278	1,392,569
Communication and Printing Expenses	6,197,753	1,619,860	5,151,489	1,695,883
Rent	20,140,664	5,264,013	9,294,655	3,059,824
Selling & Distribution Expenses	330,000	86,250	-	-
Advertisement & Marketing Expenses	46,758,861	12,221,009	6,486,770	2,135,461
Insurance	1,374,964	359,364	847,373	278,957
Travelling & Conveyance	2,377,636	621,425	682,950	224,829
Product Registration	222,120	58,054	627,017	206,416
Applicable net gain/loss on foreign currency transactions and translation	359,242,004	57,203,855	30,619,124	11,410,631
Provision for bad debts	1,329,834	347,569	-	-
Loss on sale of assets	8,217,724	2,147,804	-	-
Others	19,787,437	5,171,692	9,738,676	14,910,594
	490,288,631	91,454,519	113,127,700	38,572,661





**2.19 Company Overview: -**

The Company was incorporated on 14<sup>th</sup> August 2012 in Kazakhstan under the Corporations Act. Its core business is to sale and distribution of pharmaceutical products throughout Kazakhstan 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
Pharmacor Pty Limited	Australia
ThePharmanetwork, LLC	United States of America
Ascends Laboratories SDN BHD.	Malaysia
Enzene Biosciences Ltd.	India
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
S & B Pharma Inc.	United States of America
Ascend Laboratories SpA.	Chile
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 11Sept 2015)	India

iii) Key Management Personnel : Rajesh Dubey ( Director)  
: Somdutta Awasthi ( Director )

b) Transactions with the related parties:

Sr. No	Transaction	Holding Company	
		Tenge	Rs
1.	Purchase	317,270,762 (252,980,376)	82,922,653 (83,281,772)
2.	Interest Expenses	4,410,401 (1,223,829)	1,152,713 (402,888)
3.	Loan Taken	- (30,801,611)	- (10,286,937)
4.	Issue of Capital	547,605,000 (-)	100,469,599 (-)



**THE PHARMA NETWORK LLP**

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

- 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 year ended 31.03.2016		For Year ended 31.03.2015	
			Tenge	Rs	Tenge	Rs
1.	Purchase (Alkem Laboratories Limited)	Holding Company	317,270,762	82,922,653	252,980,376	83,281,772
2.	Interest Expenses (Alkem Laboratories Limited)	Holding Company	4,410,401	1,152,713	1,223,829	402,888
3	Loan Taken (Alkem Laboratories Limited)	Holding Company	-	-	30,801,611	10,286,937
4	Issue of Capital	Holding Company	547,605,000	100,469,599	-	-

- d) Balances due from / to the related parties:

Sr. No	Transaction	Holding Company	
		Tenge	Rs
1.	Trade Payable	171,442,132 (336,469,652)	32,755,047 (111,664,183)
2.	Borrowing	73,757,900 (39,903,611)	14,091,889 (13,242,811)
3.	Interest Payable	7,896,528 (1,240,091)	1,508,679 (411,549)

**Note: -**

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



**THE PHARMA NETWORK LLP****NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2016.**

2.21: Earnings per share are calculated as follows:-

Particulars	For the year ended 31 <sup>st</sup> March 2016. TENGE	For the year ended 31 <sup>st</sup> March 2016. INR.	For the year ended 31 <sup>st</sup> March 2015. TENGE	For the year ended 31 <sup>st</sup> March 2015. INR.
Net profit/(loss) after tax attributable to Equity Shareholders	(188,256,592)	(12,727,639)	(51,880,929)	(25,119,853)
Weighted average number of Equity Shares (No.)				
-Basic	-	-	-	-
-Diluted	-	-	-	-
Earnings per Share				
* -Basic	-	-	-	-
** -Diluted	-	-	-	-

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

2.23: Average exchange rate for the period ended 31<sup>st</sup> March 2016 considered for the purpose of translation as referred in note no. 1.8 (i) is Rs. 0.26136 /1Tenge ( Rs. 0.3292 / 1 Tenge)

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. 0.19106/1 Tenge ( 0.33187 / 1 Tenge March 15)

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

Signature to Notes 1.1 to 2.24

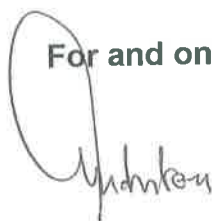
As per our attached report of even date

**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**



**Rajesh Dubey**  
Director



**Somdutta Awasthi**  
Director