

B S R & Co. LLP

Chartered Accountants

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Independent Auditor's Report

The Board of Directors of Alkem Laboratories Limited

Report on the Consolidated Ind AS Financial Statements

At the request of Alkem Laboratories Limited, the Ultimate Holding Company of ThePharmanetwork, LLC ('TPN' or 'the Company'), a New Jersey limited liability company, we have audited the accompanying Consolidated Ind AS financial statements of the Company and its subsidiary (hereinafter referred to as "the TPN Group"), which comprise the Consolidated Balance Sheet as at 31 March 2017, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated Ind AS financial statements"), prepared and presented solely to facilitate the preparation of the consolidated Ind AS financial statements of the Ultimate Holding Company – Alkem Laboratories Limited, in terms of section 129(3) of the Indian Companies Act, 2013 (the "Act") and in accordance with the requirements of the Schedule III to the Act.

These financial statements/financial information are "special purpose financial statements/financial information" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Entity is incorporated.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Ultimate Holding Company and the TPN Group's management are responsible for the preparation of these consolidated Ind AS financial statements that gives a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the TPN Group in accordance with the accounting policies followed by the Ultimate Holding Company – Alkem Laboratories Limited, in preparing its consolidated Ind AS financial statements ("Group Accounting Policies") and the Indian Accounting Standards (Ind AS) as prescribed under Section 133 of the Indian Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of these financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) and in particular SA 800 'Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated Ind AS financial statements are free from material misstatement.



Independent Auditor's Report (*Continued*)

Alkem Laboratories Limited

Auditor's Responsibility (*Continued*)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in these consolidated Ind AS financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of these consolidated Ind AS financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of these consolidated Ind AS financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these consolidated Ind AS financial statements.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give a true and fair view in conformity with the Group Accounting Policies of Alkem Laboratories Limited and the accounting principles generally accepted in India, of the consolidated state of affairs of the TPN Group as at 31 March 2017 and its consolidated profits (including other comprehensive income), consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Other Matter

Without modifying our opinion, we draw attention to Note 1B – 1.1 to the Consolidated Ind AS Financial Statements, which describes the basis of accounting. These financial statements/financial information are “special purpose financial statements/financial information” and do not constitute a set of statutory financial statements in accordance with the local laws in which the Entity is incorporated and are prepared for the sole purpose of consolidation of the Ind AS financial statements of the TPN Group with the Ultimate Holding Company – Alkem Laboratories Limited.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022



Sadashiv Shetty

Partner

Membership No:048648

Mumbai

Date: 22 May 2017

THE PHARMA NETWORK, LLC
CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

Particulars	Note No.	As at 31 March 2017 USD	As at 31 March 2016 USD	As at 1 April 2015 USD
I. ASSETS				
1 Non-current assets				
(a) Property, plant and equipment	3.1	193,191	111,092	145,693
(b) Capital work in progress	3.1	715,356	-	-
(c) Intangible assets	3.1	2,903,248	3,150,501	3,445,223
Total non-current assets		3,811,795	3,261,593	3,590,916
2 Current assets				
(a) Inventories	3.2	40,317,108	35,075,747	18,984,063
(b) Financial Assets				
(i) Trade receivables	3.3	38,773,362	27,708,217	32,533,614
(ii) Cash and cash equivalents	3.4	1,641,049	2,835,277	7,415,432
(iii) Loans	3.5	6,122,506	474,734	24,734
(iv) Other financial assets	3.6	13,754,543	8,932,752	68,421
(c) Other current assets	3.7	187,046	180,790	470,221
Total current assets		100,795,604	75,207,517	59,496,485
TOTAL ASSETS		104,607,399	78,469,110	63,087,401
II. EQUITY AND LIABILITIES				
1 Equity				
(a) Member's Capital	3.8	9,561,556	9,561,556	9,561,556
(b) Other Equity		44,881,436	26,237,054	5,838,475
Total Equity		54,442,992	35,798,610	15,400,031
2 Liabilities				
2A Non-Current Liabilities				
(a) Financial Liabilities				
(i) Borrowings	3.9	-	348,485	895,359
Total Non-current Liabilities		-	348,485	895,359
2B Current liabilities				
(a) Financial Liabilities				
(i) Borrowings	3.9	-	-	2,600,000
(ii) Trade payables	3.10	44,572,724	30,298,364	20,888,845
(iii) Other financial liabilities	3.11	4,402,883	11,121,906	21,678,905
(b) Provisions	3.12	1,188,480	901,745	1,611,831
(c) Other current liabilities	3.13	320	-	12,430
Total Current Liabilities		50,164,407	42,322,015	46,792,011
Total Liabilities		50,164,407	42,670,500	47,687,370
TOTAL EQUITY AND LIABILITIES		104,607,399	78,469,110	63,087,401

Significant Accounting Policies

1B

Notes to The Consolidated Financial Statements

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The accompanying notes are an integral part of these financial statements

As per our report of even date attached,

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248W/W-100022



Sadashiv Shetty

Partner

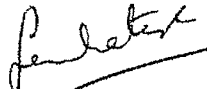
Membership No. 048648

Mumbai

Date : 22 May 2017

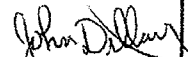
For and on behalf of the

Board of Director of ThePharmaNetwork, LLC.



S Venkatesh

Director



John Dilaway

Director

Parsippany, New Jersey, USA

Date : 22 May 2017

THEPHARMANETWORK, LLC

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

Particulars	Note No.	For the Year ended 31 March 2017	For the Year ended 31 March 2016
		USD	USD
1 Income			
(a) Revenue from Operations	3.14	156,342,370	139,036,494
(b) Other Income	3.15	47,805	499
Total Income		156,390,175	139,036,993
2 Expenses			
(a) Purchases of Stock-in-Trade		127,428,703	113,260,767
(b) Changes in inventories of finished goods, Stock-in-trade and work-in-progress	3.16	(11,174,901)	(14,784,503)
(c) Employee benefits expenses	3.17	4,204,785	4,346,450
(d) Finance Costs	3.18	885,273	769,672
(e) Depreciation and amortisation expense	3.1	311,140	327,309
(f) Other expenses	3.19	16,090,793	14,718,719
Total Expenses		137,745,793	118,638,414
3 Profit before tax (1) - (2)		18,644,382	20,398,579
4 Tax expenses (Refer Note 1.18)		-	-
5 Profit for the year (3) - (4)		18,644,382	20,398,579
6 Other Comprehensive Income			
(a) Items that will be reclassified to profit or loss		-	-
(i) Foreign Currency Translation		-	-
(ii) Difference of foreign operation		-	-
Total of Other Comprehensive Income for the period, net of tax		-	-
7 Total Comprehensive Income for the period (5) + (6)		18,644,382	20,398,579
8 Basic and diluted earnings per unit	3.29	0.28	0.31

Significant Accounting Policies

1B

Notes to The Consolidated Financial Statements

3

The accompanying notes are an integral part of these financial statements

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Sadashiv Shetty

Partner

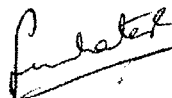
Membership No. 048648

Mumbai

Date : 22 May 2017

For and on behalf of the

Board of Director of ThePharmaNetwork, LLC.



S Venkatesh

Director



John Dilaway

Director

Parsippany, New Jersey, USA

Date : 22 May 2017

THE PHARMA NETWORK, LLC
CONSOLIDATED FINANCIAL STATEMENTS

Statement of Changes in Equity for the period ended 31 March 2017

(a) Members Capital

Particulars	USD			
	As at 31 March 2017		As at 1 April 2015	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting period	66,501,766	9,561,556	66,501,766	9,561,556
Changes in members capital during the year	-	-	-	-
Balance at the end of the reporting period	66,501,766	9,561,556	66,501,766	9,561,556

(b) Other Equity

Particulars	USD	
	Retained Earnings	Total other equity
Balance as at 1 April 2015	5,838,475	5,838,475
Total Comprehensive for the year ended 31 March 2016		
Profit for the year	20,398,579	20,398,579
Balance as at 31 March 2016	26,237,054	26,237,054
Total Comprehensive for the year ended 31 March 2017		
Profit for the year	18,644,382	18,644,382
Balance as at 31 March 2017	44,881,436	44,881,436

The Description of the nature and purpose of each reserve within equity as follows:

Retained Earnings: Retained earnings are the profits that the company has earned till date, less any transfers to general reserve, dividends or other distributions paid to shareholders.

The accompanying notes are an integral part of these financial statements

As per our report of even date attached.

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No. 101248WW-100022



Sadashiv Shetty
Partner

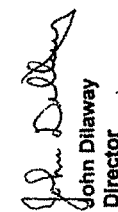
Membership No. 048648
Mumbai

Date : 22 May 2017

For and on behalf of the
Board of Director of ThePharmaNetwork, LLC.



S Venkatesh
Director



John Dilaway
Director

Parsippany, New Jersey, USA
Date : 22 May 2017

THEPHARMANETWORK, LLC
CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017


Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
	USD	USD
A. Cash Flow from Operating activities		
Profit before Tax	18,644,382	20,398,579
Adjustments for :		
Depreciation	311,140	327,309
Interest Expense	885,273	769,672
Operating Profit before Working Capital Changes	19,840,795	21,495,559
Changes in working capital:		
Increase in inventories	(5,241,361)	(16,091,684)
(Increase)/decrease in trade receivable	(11,065,134)	4,825,397
Increase in loans, other financial assets, other assets	(10,475,819)	(9,024,900)
Increase in trade payables	14,274,360	9,409,519
Decrease in other financial liabilities and other liabilities	(6,718,703)	(10,556,999)
Increase/(decrease) in provision	286,735	(722,516)
Cash generated from/(used in) from operations	900,872	(665,624)
Net cash generated from/(used in) from operating activities	900,872	(665,624)
B. Cash Flow from Investing activities		
(Purchase)/sale of property plant and equipments	(861,341)	2,014
Net cash (used in) /generated from Investing activities	(861,341)	2,014
C. Cash Flow from Financing activities		
Proceeds from Long Term Borrowings	(348,485)	(3,146,874)
Interest Expense	(885,273)	(769,672)
Net cash used in from Financing activities	(1,233,758)	(3,916,546)
D. Net decrease in cash and cash equivalents (A) + (B) + (C)	(1,194,226)	(4,580,156)
E. Cash and cash equivalents at the beginning of the year	2,835,277	7,415,432
F. Cash and cash equivalents at the end of the year (D) + (E)	1,641,051	2,835,276

Notes :

The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Indian Accounting Standard (Ind AS-7) - "Statement of Cash Flows"

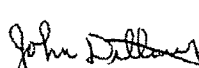
Purchase of Property, Plant and Equipment includes movements of capital work-in-progress (including capital advances) during the year

As per our report of even date attached,
For B S R & Co. LLP
Chartered Accountants
Firm's Registration No. 101248W/W-100022


Sadashiv Shetty
Partner
Membership No. 048648
Mumbai
Date : 22 May 2017

For and on behalf of the
Board of Director of ThePharmaNetwork, LLC.


S Venkatesh
Director


John Dilaway
Director

Parsippany, New Jersey, USA
Date : 22 May 2017

THEPHARMANETWORK, LLC **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

1A General Information

ThePharmaNetwork, 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. These consolidated financial statements comprise the Company and its subsidiary (collectively the 'Group' and individually 'Group company').

1B SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of preparation of Financial Statements:

a) Statement of compliance

The consolidated financial statements of the Group as at and for the year ended 31 March 2017 have been prepared in accordance with the group accounting policies as adopted by its Ultimate Holding Company, Alkem Laboratories Limited (hereinafter referred to as "Alkem") which is as per the Indian Accounting standards ('Ind AS') notified by the Ministry of Corporate Affairs in consultation with the National Advisory Committee on Accounting Standards, under section 133 of the Companies Act, 2013 ('Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 (as amended) and the relevant provisions of the Act.

These consolidated financial statements are "special purpose financial statements/financial information" and do not constitute a set of statutory financial statements in accordance with the local laws in which the Company is incorporated and are prepared for the sole purpose of consolidation of the Ind AS financial statements of the Group with Alkem.

These consolidated financial statements are the Group's first Ind AS financial statements and are covered by Ind AS 101, First-time adoption of Indian Accounting Standards. The transition to Ind AS has been carried out from the accounting principles generally accepted in India ("Indian GAAP") which is considered as the "Previous GAAP" for purposes of Ind AS 101. An explanation of how the transition to Ind AS has affected the Group's equity, its net profit and its cash flows is provided in Note 3.23. The consolidated Financial statements are prepared in United States Dollar ("USD") except for unit data, per unit data and all the amounts have been rounded off to the nearest USD, unless otherwise stated.

b) Basis of preparation and presentation

The preparation of financial statements in accordance with Ind AS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Group presents assets and liabilities in Balance Sheet based on current/non-current classification.

An asset is classified as current when it is:

- a) Expected to be realised or intended to sold or consumed in normal operating cycle,
- b) Held primarily for the purpose of trading,
- c) Expected to be realised within twelve months after the reporting period, or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- a) it is expected to be settled in normal operating cycle,
- b) it is held primarily for the purpose of trading,
- c) it is due to be settled within twelve months after the reporting period
- d) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c) Basis of measurement

These consolidated financial statements are prepared under historical cost convention unless otherwise indicated.

d) Functional and Presentation Currency

These consolidated financial statements are presented in USD, which is the functional currency of the Company and the currency of the primary economic environment in which the Company operates.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities it controls, both unilaterally and jointly.

(a) Accounting for Subsidiaries

A subsidiary is an entity over which the Group has control. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

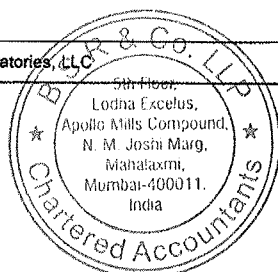
The financial statements of subsidiaries are included in the consolidated financial statement from the date on which control commences until the date on which control ceases.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. The accounting policies adopted in the preparation of financial statements are consistent with those of previous year. The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and profits/losses, unless cost/revenue cannot be recovered.

The details of the subsidiaries consolidated are as follows:

Name of Subsidiaries	Principal place of Business	% of Shareholding and voting power		
		As at March 31 2017	As at March 31 2016	As at April 1 2015
Ascend Laboratories, LLC	United States of America	100%	100%	100%

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Signature

THE PHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE - 1: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(b) Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Business Combination

As part of its transition to Ind AS, the Group has elected to apply the relevant Ind AS, viz. Ind AS 103, Business Combinations, to only those business combinations that occurred on or after 1 April 2015. In accordance with Ind AS 103, the Group accounts for these business combinations using the acquisition method when control is transferred to the Group. The consideration transferred for the business combination is generally measured at fair value as at the date the control is acquired (acquisition date), as are the net identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except to the extent related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships with the acquiree. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured subsequently and settlement is accounted for within equity. Other contingent consideration is remeasured at fair value at each reporting date and changes in the fair value of the contingent consideration are recognised in profit or loss.

Business combination between entities under common control is accounted using pooling of interest method of accounting. Under pooling of interest method of accounting, none of the assets or liabilities are restated to their fair values. Instead, the acquirer incorporates carrying values from the date on which the business combination between entities under common control occurred.

1.3 Property, plant and equipment

i) Recognition and Measurement

a) Items of Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any. The cost of an item of Property, plant and equipment comprises its purchase price, including import duties and other non refundable taxes or levies and any directly attributable cost of bringing the assets to its working condition for its intended use and any trade discount and rebates are deducted in arriving at purchase price. Cost of the assets also includes interest on borrowings attributable to acquisition of qualifying fixed assets up to the date the asset is ready for its intended use incurred up to that date.

b) If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of Property, plant and equipment.

c) Any gain or loss on disposal of an item of property plant and equipment is recognised in consolidated statement of profit and loss.

d) Cost of Items of Property, plant and equipment not ready for intended use as on the balance sheet date, is disclosed as capital work in progress. Advances given towards acquisition of property, plant and equipment outstanding at each balance sheet date are disclosed as Capital Advance under Other non current assets.

ii) Subsequent expenditure

Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

iii) Depreciation and amortisation:

Fixed assets are stated at cost. Depreciation and amortisation is computed using the straight-line basis over the useful lives of the assets. Maintenance, repairs, and renewals that neither materially add to the value of the property, nor appreciably prolong its life, are charged to expense as incurred. Gains and losses on dispositions of assets are included in income.

Tangible Assets	Useful Life
Leasehold improvements	7 - 39 years
Plant and Machinery	5 - 7 Years
Furniture and Fixtures	5 years
Vehicles	5 Years
Office Equipments	5 Years

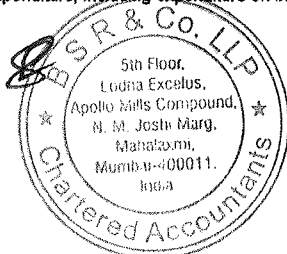
1.4 Intangible Assets:

I. Recognition and measurement

Research and development	Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.
Other intangible assets	Other intangible assets, such as computer software and trademarks and patents, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.
Goodwill	Goodwill is initially recognised based on the accounting policy for business combinations (refer note 1.2 (c)). These assets are not amortised but are tested for impairment annually.

II. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.



Sanjay Patel

THE PHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE - 1: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

III. Amortisation

The Group amortizes intangible assets with finite lives over their estimated useful lives and reviews them for impairment annually or whenever impairment exists. The Group continually evaluates whether events or changes in circumstances might indicate that the remaining estimated useful life of long-lived assets may warrant revision, or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related undiscounted cash flows in measuring whether the long-lived asset should be written down to fair value. Measurement of the amount of impairment would be based on generally accepted valuation methodologies, as deemed appropriate.

The estimated useful lives for current and comparative periods are as follows:

Intangible Assets	Useful Life
Computer Software	3 Years
Other Intangible assets	15 Years

1.5 Impairment of Assets:

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful life are tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Operating Leases/ Finance lease:

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as Operating Leases.

Operating Lease: Lease rentals are charged or recognized in the Statement of Profit and Loss on a straight-line basis over the lease term, except where the payment are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increase.

Finance Lease: Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

1.7 Financial instruments

Recognition initial measurement:

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVOCI -debt investment;
- FVOCI -equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

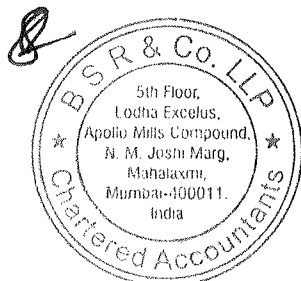
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



Signature

THE PHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE - 1: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL	at	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	at	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	at	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	at	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains or loss on derecognition is also recognized in profit or loss.

Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognized on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

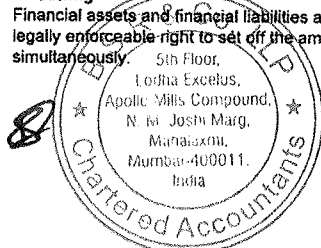
Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

The Group also derecognises a financial liability when its terms are modified and the cash flow under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



Sanjiv Patel

THE PHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE - 1: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

1.8 Equity Instruments

Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities and includes no obligation to deliver cash or other financial assets. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

1.9 Inventories:

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. The Group's policy is to reserve any inventory with expiration dates of less than six months.

1.10 Revenue Recognition:

i) Sale of Goods:

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable. This inter alia involves discounting of the consideration due to the present value if payment extends beyond normal credit terms. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing effective control over, or managerial involvement with, the goods, and the amount of revenue can be measured reliably.

The timing of transfers of risks and rewards varies depending on the individual terms of sale, usually in case of domestic, such transfer occurs when the product is delivered to the customer. Revenue is measured at the fair value of the consideration received or receivable. Sales are net of estimated chargebacks, sales discounts, rebates, prompt pay, shelf stock adjustments due to price revisions, medicare rebates and estimated returns. The significant adjustments to revenue are broadly explained below:

- a) chargeback claim represent an amount payable in the future to a wholesaler customer for the difference between the invoice prices paid to the Company by the wholesaler customer for a particular product and the negotiated contract price that the wholesaler's customer pays for the product. Provision for chargeback is calculated on the basis of historical experience and specific terms in the individual agreements.
- b) provision for rebate is calculated on the basis of historical experience and specific terms in the individual agreements.
- c) following a decrease in the price of a product, the Company generally grants customers a "shelf stock adjustment" for a customer's existing inventory for the involved product. Provisions for shelf stock adjustments are determined at the time of the price decline or at the point of sale, if the impact of a price decline on the products sold can be reasonably estimated based on the customer's inventory.
- d) Provision for sales returns are estimated on the basis of historical experience, market conditions and specific contractual terms and provided for in the year of sale as reduction from revenue. The methodology and assumptions used to estimate returns are monitored and adjusted regularly in line with contractual and legal obligations, trade practices, historical trends, past experience and projected market conditions.
- e) Pharmaceutical manufacturers whose products are covered by the Medicaid program are required to pay rebate to each state a percentage of their average manufacturer's price for the products dispensed. Medicaid rebates are estimated based on historical trends of rebates paid.

ii) Rendering of services

Income from services is recognized when the services are rendered.

iii) Other income

Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

1.11 Shelf Stock Adjustments

Shelf stock adjustments are credits issued to customers to reflect decreases in the selling prices of products. These credits are customary in the industry and are intended to reduce the customers' inventory cost to better reflect current market prices. The decision to grant a shelf stock adjustment to a customer following a price decrease is made at the Group's discretion.

1.12 Foreign currencies

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions. The functional and presentation currency of the Company is USD.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

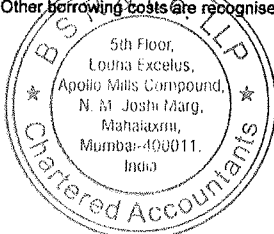
- equity investments measured at fair value through other comprehensive income (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

1.13 Chargebacks

Chargebacks represent the Group's most significant provision against gross accounts receivable and related reduction to gross sales revenue. Chargebacks are credits given to wholesale customers that represent the difference between the lower price they sell (contractual price) to retail, chain stores, and managed care organizations and what the Group charges the wholesaler.

1.14 Borrowing Costs:

Borrowing costs are interest and other costs incurred by the Group in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the Statement of Profit and Loss of the period in which they are incurred.



THEPHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
NOTE - 1: SIGNIFICANT ACCOUNTING POLICIES: (Continued)

1.15 Provision, Contingent Liabilities and Contingent Assets:

A provision is recognised if as a result of a past event, the Group has a present obligation (legal or constructive) that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount can not be estimated reliably. Contingent liabilities do not warrant provisions but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, when the realisation of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

1.16 Earnings per share ('EPS')

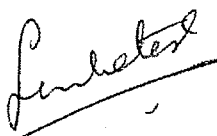
Basic EPS is computed using the weighted average number of equity shares outstanding during the period. Diluted EPS is computed using the weighted average number of equity and dilutive equity equivalent shares outstanding during the period except where the results would be anti-dilutive.

1.17 Cash and cash equivalents:

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank including fixed deposits (having original maturity of less than 3 months), cheques in hand and cash in hand.

1.18 Income Taxes

A Single member liability company is a disregarded entity for tax purposes and income and losses are reported on the sole owner's tax return. Therefore, no provision or liability for income taxes has been included in financial statements.



THEPHARMANETWORK, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE - 2: Critical accounting judgements and key sources of estimation uncertainty

The Group prepares its financial statements in accordance with Ind AS as issued by the MCA, the application of which often requires judgments to be made by management when formulating the Group's financial position and results. The Directors are required to adopt those accounting policies most appropriate to the Group's circumstances for the purpose of presenting fairly the Company's financial position, financial performance and cash flows.

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the Group should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and, accordingly, provide an explanation of each below. The discussion below should also be read in conjunction with the Group's disclosure of significant accounting policies which are provided in Note 1 to the consolidated financial statements, 'Significant accounting policies'.

a. Estimation of useful life

The useful life used to amortise or depreciate intangible assets or property, plant and equipment respectively relates to the expected future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the Statement of Profit and Loss.

The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

b. Provision for trade receivables

Trade receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible.

c. Provisions and contingent liabilities

The Group exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

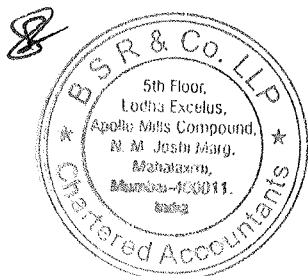
d. Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for the financial reporting purposes. Central corporate treasury team works with various banks for determining appropriate fair value of derivative assets and liabilities. Central treasury team reports to the Chief Financial Officer. In estimating the fair value of derivative assets and liabilities, the Group uses market-observable data to the extent it is available.

e. Product Returns and Other Allowances

In the pharmaceutical industry, customers are normally granted the right to return product for credit if the product has not been used prior to its expiration date. The Group's return policy typically allows product returns for products within a twelve month window from six months prior to the expiration date and up to six months after the expiration date. The Group accrues 2% of WAC at the time of invoicing. This percentage was determined based on actual return rate history. The Group estimates the level of sales that will ultimately be returned, pursuant to its return policy, and records a related allowance at the time of sale. These amounts are deducted from gross sales to determine net revenues. These estimates take into consideration historical returns of the products and the Group's future expectations. The Group periodically reviews the allowances established for returns and adjusts them based on actual experience, as necessary. The primary factors considered in estimating potential product returns include shelf life and expiration date of each product and historical levels of expired product returns. If the Group becomes aware of any returns due to product quality related issues, this information is used to estimate an additional allowance. The Group provides for an allowance related to returns resulting from product recalls, in the period that such recalls occur. The amount of actual product return could be either higher or lower than the amounts provided. Changes in these estimates, if any, would be recorded in the income statement in the period the change is determined. If the Group over or under estimates the quantity of product that will ultimately be returned, there may be a material impact to its financial statements.

Sales discounts (trade and prompt payment discounts) are provided for at the end of every reporting period based on the gross sales made to the customers during the period and based on their terms of trade. The Company reviews contracts with its customers in addition to historical data and percentages to estimate the reserve for estimated discounts.



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Customer rebates are estimated at the end of every reporting period, based on direct or indirect purchases. If the purchases are direct (purchases made by end use customers directly from the Company), the rebates are recognised when products are purchased by customer and a periodic credit is given. For indirect purchases (purchases by end use customers through wholesale customers), the rebates are recognised based on the terms with such customer and validated against available chargeback data. Medicaid rebates are estimated based on the historical data the Company receives from the public sector benefit providers, which is based on the final dispensing of the products by a pharmacy to a benefit plan participant.

Shelf stock adjustments are sometimes required as per contractual agreements which are known at the time of the decision to make a price change. Factors considered when recording an allowance for shelf stock adjustments include estimated launch dates of competing products based on market intelligence, estimated decline in market price of products based on historical experience and input from customers, and levels of inventory held by customers at the date of the pricing adjustments.

THE PHARMA NETWORK, LLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

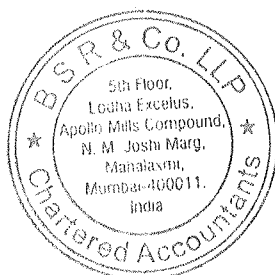
NOTE - 2: Critical accounting judgements and key sources of estimation uncertainty (Continued)

f. Chargebacks:

The Group estimates chargebacks at the time of sale to its wholesale customers. The Group considers the following factors in the determination of estimates of sales chargebacks:

- i) The historical data of chargebacks as a percentage of sales, as well as actual chargeback reports received from primary wholesaler customers.
- ii) Volume of all products sold to wholesaler customers and the average chargeback rates for the current quarter as compared to the previous quarter and compared to the last six month period.
- iii) The sales trends and estimated prices of products, wholesale acquisition cost (WAC), the contract prices with the retailers, chain stores, managed care organizations (end-users), and wholesaler customer's contract prices.
- iv) The Company utilizes data on remaining inventories on hand at primary wholesaler customers at the end of each reporting period in the calculation of estimates.

Such estimated amounts, in addition to certain other allowances, are deducted from the Company's gross sales to determine net revenues. The amount of actual chargebacks claimed could be either higher or lower than the amounts accrued. Changes in estimates, if any, would be recorded in the income statement in the period the change is determined. If the Company materially over or under estimates the amount that will ultimately be charged back to it by its wholesale customers, there could be a material impact on the Company's financial statements.



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THE PHARMANETWORK, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
3.1 Property, Plant and Equipment, Other Intangible Assets and Capital Work in Progress

	Property, Plant and Equipments					Intangible assets				Capital work in progress
	Leasehold Land	Furniture and Fixtures	Vehicles	Office Equipments	Total	Computer Software	Goodwill (Refer Note 3.25)	Trade Mark & Patents	Total	
At Deemed cost										
As at 1 April 2015	19,915	22,933	-	102,845	145,693	171,187	857,098	2,418,938	3,445,223	
Additions	-	18,953	-	11,819	30,772	6,939	-	-	6,939	
Adjustments	-	(3,261)	-	-	(3,261)	3	-	-	3	
Deletions	-	-	-	-	-	(36,447)	-	-	(36,447)	
As at 31 March 2016	19,915	38,605	-	114,664	173,184	141,682	857,098	2,418,938	3,415,718	
Additions	99,020	36,473	-	-	135,492	7,422	-	-	7,422	
Adjustments	-	-	-	(1,625)	(1,625)	-	-	-	-	
Deletions	-	-	-	-	-	-	-	-	-	
As at 31 March 2017	118,935	75,078	-	116,289	310,302	149,104	857,098	2,418,938	3,423,140	
Depreciation and Amortisation										
Depreciation/amortisation for the year	392	11,678	-	50,022	62,092	70,059	-	195,158	265,217	
Adjustments	-	-	-	-	-	-	-	-	-	
Deductions	-	-	-	-	-	-	-	-	-	
As at 31 March 2015	392	11,678	-	50,022	62,092	70,059	-	195,158	265,217	
Depreciation/amortisation for the year	11,750	10,552	-	34,163	56,465	59,821	-	195,154	264,875	
Adjustments	-	-	-	(1,446)	(1,446)	-	-	-	-	
As at 31 March 2017	12,142	22,230	-	82,739	117,111	129,880	-	390,312	519,892	
Net Book Value										
As at 1 April 2015	19,915	22,933	-	102,845	145,693	171,187	857,098	2,418,938	3,445,223	
As at 31 March 2016	19,923	26,927	-	64,642	111,092	71,823	857,098	2,221,780	3,160,501	
As at 31 March 2017	106,792	52,848	-	33,550	193,191	19,824	857,098	2,025,626	2,903,248	715,356

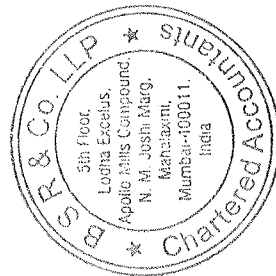
The Group has availed the deemed cost exemption in relation to the Property Plant and Equipment and Other Intangible Assets on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer note below for the gross block value and the accumulated depreciation on April 1, 2015 under the previous GAAP

Property, plant and equipment	USD	
	Gross Block	Accumulated Depreciation
Leasehold Land	20,099	184
Furniture and Fixtures	117,442	94,509
Office Equipments	434,488	331,643
Sub Total - A	572,029	426,336
Other Intangible Assets		
Computer Software	378,019	207,832
Goodwill - MSC, LLC	857,098	-
Trade Mark & Patents	2,927,314	510,376
Sub Total - B	4,163,431	718,208
Grand Total (A) + (B)	4,735,459	1,144,544

- Note:-
- Capital work in progress comprises expenditure in respect of various plants in the course of construction. Total amount of Capital work in progress is USD 7,15,356 as at 31 March 2017 (31 March 2016: USD Nil; 1 April 2015: USD Nil).
 - Refer Note 3.26(1) for contractual commitments with respect to property plant and equipments.
 - Depreciation and amortisation expense

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
Depreciation expense	58,465	62,092
Amortisation expense	264,875	265,217
Total	311,440	327,309

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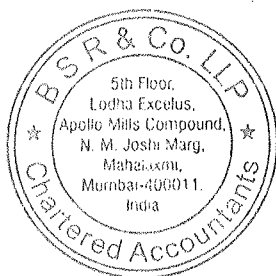
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THE PHARMANETWORK, LLC
NOTE -3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Particulars	As at 31 March 2017 USD	As at 31 March 2016 USD	As at 1 April 2015 USD
3.2 : INVENTORIES: (Refer Note 1.9) accounting policy			
Raw and packing materials	-	5,933,540	2,072,093
Work-in-progress	-	2,175,890	2,654,266
Stock-in Trade	40,317,108	26,986,317	14,357,704
TOTAL	40,317,108	35,075,747	18,984,063
Note:- 1. The Group follows suitable provisioning norms for writing down the value of inventories towards slow moving, non moving, expired and non saleable inventory. Write down of inventory for the year ended 31 March 2017 is USD 1,946,539 (31 March 2016: USD 1,083,733)			
3.3 : TRADE RECEIVABLES: (Unsecured)			
Considered good	38,773,352	27,708,217	32,533,614
Considered doubtful	36,178	41,128	258,818
Less: Impairment allowances	(36,178)	(41,128)	(258,818)
TOTAL	38,773,352	27,708,217	32,533,614
Note:- 1. The Group's exposure to credit, liquidity and market risks, and loss allowances related to Trade Receivables are disclosed in Note 3.21			
3.4 : CASH AND CASH EQUIVALENTS: Cash and Cash Equivalents:			
Balance with Banks:			
In Current Accounts	1,641,049	2,835,277	7,415,432
TOTAL	1,641,049	2,835,277	7,415,432
3.5 : CURRENT LOANS: Loans (Unsecured, Considered Good, unless Otherwise stated)			
	6,122,506	474,734	24,734
TOTAL	6,122,506	474,734	24,734
Note:- 1. Loans includes due from related party amounting to USD 6,122,506 (31 March 2016 USD 350,000 ; 1 April 2015 USD Nil)- Refer Note 3.20			
3.6 : OTHER CURRENT FINANCIAL ASSETS: Receivable from related parties	13,728,608	8,932,752	68,421
Security Deposits	25,934	-	-
TOTAL	13,754,543	8,932,752	68,421
1. Other receivable includes due from related party amounting to USD 13,728,607 (31 March 2016 USD 8,932,752 ; 1 April 2015 USD 68,421)- Refer Note 3.20			
3.7 : OTHER CURRENT ASSETS: Balances with Government Authorities	-	127,566	-
Prepaid Expenses	187,046	53,224	172,226
Prepaid Guarantee Commission	-	-	297,995
TOTAL	187,046	180,790	470,221

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THE PHARMANETWORK, LLC
NOTE -3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
	USD	USD	USD
3.8 : MEMBER'S CAPITAL:			
Member's Capital	9,561,556	9,561,556	9,561,556
TOTAL	9,561,556	9,561,556	9,561,556

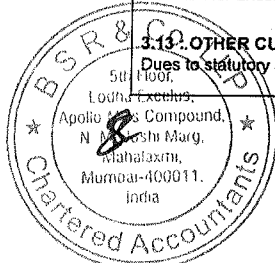
(a) Reconciliation of the number of units outstanding at the beginning and at the end of the period:

Particulars	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of Units	USD	Number of Units	USD	Number of Units	USD
At the commencement of the year	66,501,766	9,561,556	66,501,766	9,561,556	66,501,766	9,561,556
At the end of the year	66,501,766	9,561,556	66,501,766	9,561,556	66,501,766	9,561,556

(b) Details of members holding more than 5% units in the Company:

Name of the member:	As at 31 March 2017		As at 31 March 2016		As at 1 April 2015	
	Number of Units	Percentage of Holding	Number of Units	Percentage of Holding	Number of Units	Percentage of Holding
M/s. S&B Holdings B.V. Netherlands	66,501,766	100%	66,501,766	100%	66,501,766	100.0%

Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
	USD	USD	USD
3.9 : BORROWINGS:			
A. Current Borrowings:			
<u>Unsecured:</u>			
Long term maturities of finance lease obligation	-	348,485	822,745
Insurance loan	-	-	72,614
TOTAL	-	348,485	895,359
Note:-			
A finance lease obligation refers 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 amortisation schedule was computed with an imputed interest rate of 0.93% - (Refer Note 3.28)			
Amounting falling due for payment within 12 months are disclosed under Note 3.11			
B. Non Current Borrowings:			
<u>Secured</u>			
Loans repayable on demand from Banks	-	-	2,600,000
TOTAL	-	-	2,600,000
Notes:			
There is no default as at 1 April 2015, in repayment of above loans which is secured against, SBLC given by M/s. Aikem Laboratories Limited (Ultimate Holding Company)			
3.10 : TRADE PAYABLES:			
Trade payables	44,572,724	30,298,364	20,888,845
TOTAL	44,572,724	30,298,364	20,888,845
Note:-			
Due to related parties includes USD 41,498,557 (31 March 2016 USD 25,017,561; 1 April 2015 USD 15,416,025) (Refer Note 3.20)			
3.11 : OTHER CURRENT FINANCIAL LIABILITIES			
Current maturities of long term finance obligation (Refer Note 3.9)	358,600	5,479,988	15,479,988
Employee payables	598	203,527	148,862
Accrual for Expenses	4,043,685	5,438,391	6,050,055
TOTAL	4,402,883	11,121,906	21,678,905
3.12 : CURRENT PROVISIONS:			
Provision for anticipated sales returns (Refer Note 3.30)	1,188,480	901,745	1,611,831
TOTAL	1,188,480	901,745	1,611,831
3.13 : OTHER CURRENT LIABILITIES:			
Dues to statutory authorities	320	-	12,430
	320	-	12,430

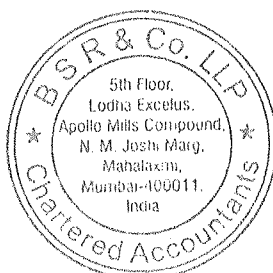


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THE PHARMANETWORK, LLC

NOTE -3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Particulars	For the Year ended 31 March 2017 USD	For the Year ended 31 March 2016 USD
3.14 : REVENUE FROM OPERATIONS:		
Sale of products	156,342,370	139,036,494
	156,342,370	139,036,494
3.15 : OTHER INCOME:		
Interest on bank deposits	2,159	-
Other interest	45,646	499
	47,805	499
3.16 : CHANGES IN INVENTORIES OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE:		
Opening Stock:		
Stock-in-trade	26,966,317	14,357,704
Work-in-progress	2,175,890	-
	29,142,207	14,357,704
Less: Closing stock:		
Stock-in-trade	40,317,108	26,966,317
Work-in-progress	-	2,175,890
	40,317,108	29,142,207
	(11,174,901)	(14,784,503)
3.17 : EMPLOYEE BENEFITS EXPENSE:		
Salaries, wages and bonus	2,954,354	3,724,754
Contribution to funds (Refer Note 3.27)	156,327	121,383
Employees' welfare expenses	1,094,104	500,303
	4,204,785	4,346,450
3.18 : FINANCE COST:		
Interest on borrowings	762,557	438,340
Other borrowing cost*	122,716	331,332
	885,273	769,672
*Includes guarantee commission on financial guarantee from its Ultimate Holding company on loans availed from banks		
3.19 : OTHER EXPENSES:		
Rent (Refer Note 3.28)	332,681	169,935
Insurance	484,624	462,680
Marketing and promotions	435,560	426,011
Selling and distribution expenses	4,621,637	2,987,258
Legal and professional Fees	2,182,125	2,041,291
Commission on sales	830,000	842,706
Travelling and conveyance	549,416	608,871
Repairs:		
- Others	431,409	416,419
Research and Development expenses	335,046	135,079
Communication and printing expenses	93,253	72,006
Bad Debts/Advances written off	155,525	226,231
Royalty Expenses	5,371,790	5,449,553
Miscellaneous expenses	367,727	900,679
	16,090,793	14,718,719



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THEPHARMANETWORK, LLC**NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

3.20 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures for the year ended 31 March 2017.

A. List of related parties and their relationship

	Name of Related Party	Principal Place of Business
A	Company whose control exists	
	Alkem Laboratories Limited ("Ultimate Holding Company")	India
	S & B Holdings B.V. ("Holding Company")	Netherlands
B	Fellow Subsidiaries	
	Ascend Laboratories SpA	Chile
	S & B Pharma Inc.	United States of America
C	Key Managerial Personnel ("KMP")	
	Mr. Sandeep Singh	Director
	Mr. Amit Ghare	Director
	Mr. B.N. Singh	Director
	Mr. Srinivas Singh	Director
	Mr.S.Venkatesh (w.e.f 6 September 2016)	Director
	Mr.John Dilaway (w.e.f 6 September 2016)	Director

All the related party transactions were made in the normal course of business and on terms equivalent to those that prevail in an arm's length transactions.



THEPHARMANETWORK, LLC
NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.20 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures for the year ended 31 March 2017.

Significant Related party transaction

Sr. No.	Transactions	Related Party	Year ended 31 March 2017 (USD)	Year ended 31 March 2016 (USD)
1	Loan given to			
	S & B Pharma Inc.	Fellow Subsidiary	6,000,000	-
	Ascend Laboratories SpA	Fellow Subsidiary	-	350,000
2	Loan repaid by			
	Ascend Laboratories SpA	Fellow Subsidiary	350,000	-
3	Purchase of stock in trade			
	Alkem Laboratories Limited	Ultimate Holding Company	82,230,405	61,251,443
4	Reimbursement of Expenses by			
	Alkem Laboratories Limited	Ultimate Holding Company	2,673,851	1,773,465
	S & B Pharma Inc.	Fellow Subsidiary	76,860	-
5	Interest on Loan given			
	S & B Pharma Inc.	Fellow Subsidiary	39,871	-
	Ascend Laboratories SpA	Fellow Subsidiary	5,775	-
6	Guarantee Commission and Reimbursement of SBLC Charges			
	Alkem Laboratories Limited	Ultimate Holding Company	402,687	-
7	Remuneration			
	Mr.S.Venkatesh	KMP	525,000	-
	Mr.John Dilaway	KMP	400,000	-
8	Bonds pledged against loan taken by Group			
	Alkem Laboratories Limited	Ultimate Holding Company	8,313,635	12,172,180

Balance due from / to the related Parties as at 31 March 2017

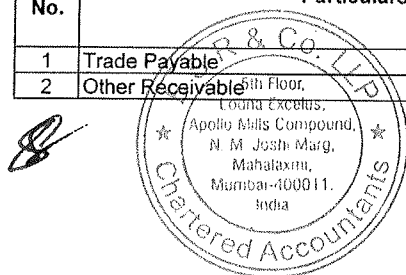
Sr. No.	Particulars	Holding Company	Ultimate Holding Company	Fellow Subsidiary	Total
		USD	USD	USD	USD
1	Trade Payable		41,498,557		41,498,557
2	Other Receivable	9,212,870	4,515,738		13,728,608
3	Current loans			6,122,506	6,122,506

Balance due from / to the related Parties as at 31 March 2016

Sr. No.	Particulars	Holding Company	Ultimate Holding Company	Fellow Subsidiary	Total
		USD	USD	USD	USD
1	Trade Payable	-	25,017,561	-	25,017,561
2	Other Receivable	7,090,866	1,841,886		8,932,752
3	Current loans	-	-	350,000	350,000

Balance due from / to the related Parties as at 1 April 2015

Sr. No.	Particulars	Holding Company	Ultimate Holding Company	Fellow Subsidiary	Total
		USD	USD	USD	USD
1	Trade Payable	-	15,416,025	-	15,416,025
2	Other Receivable	-	68,421	-	68,421



THEPHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.21 Financial Instruments – Fair values and risk management

A. Accounting classification and fair values

USD

	As at 31 March 2017							
	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amotised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	-	-	1,641,049	1,641,049	-	-	-	-
Short-term loans	-	-	6,122,506	6,122,506	-	-	-	-
Trade receivables and Other financial assets	-	-	52,527,894	52,527,894	-	-	-	-
	-	-	60,291,449	60,291,449	-	-	-	-
Financial liabilities								
Long term borrowings (Including current maturity of Long term borrowings)	-	-	358,600	358,600	-	-	-	-
Trade payables	-	-	44,572,724	44,572,724	-	-	-	-
Other financial liabilities	-	-	4,402,883	4,402,883	-	-	-	-
	-	-	49,334,207	49,334,207	-	-	-	-

USD

	As at 31 March 2016							
	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amotised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	-	-	2,835,277	2,835,277	-	-	-	-
Short-term loans	-	-	474,734	474,734	-	-	-	-
Trade receivables and Other financial assets	-	-	36,640,969	36,640,969	-	-	-	-
	-	-	39,950,980	39,950,980	-	-	-	-
Financial liabilities								
Long term borrowings	-	-	5,828,473	5,828,473	-	-	-	-
Trade payables	-	-	30,298,364	30,298,364	-	-	-	-
Other financial liabilities	-	-	11,121,906	11,121,906	-	-	-	-
	-	-	47,248,743	47,248,743	-	-	-	-

USD

	As at 1 April 2015							
	Carrying amount				Fair value			
	FVTPL	FVTOCI	Amotised Cost	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Cash and cash equivalents	-	-	7,415,432	7,415,432	-	-	-	-
Short-term loans	-	-	24,734	24,734	-	-	-	-
Trade receivables and Other financial assets	-	-	32,602,035	32,602,035	-	-	-	-
	-	-	40,042,201	40,042,201	-	-	-	-
Financial liabilities								
Long term borrowings	-	-	16,375,347	16,375,347	-	-	-	-
Short term borrowings	-	-	2,600,000	2,600,000	-	-	-	-
Trade payables	-	-	20,888,845	20,888,845	-	-	-	-
Other financial liabilities	-	-	21,678,905	21,678,905	-	-	-	-
	-	-	61,543,097	61,543,097	-	-	-	-

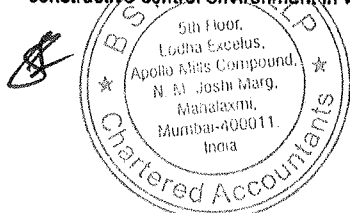
The Group has exposure to the following risks arising from financial instruments:

- Credit risk ;
- Liquidity risk ; and
- Market risk

i. Risk management framework

The Company's Board of Directors ("Board") has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's activities are exposed to financial risks. These risks include credit risk, liquidity risk and market risk. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to the limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.



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THEPHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.21 Financial Instruments – Fair values and risk management

ii. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amount of following financial assets represents the maximum credit exposure:

Trade receivables

Trade receivable of the Group are typically unsecured. Credit risk is managed through credit accrual and periodic monitoring of the creditworthiness of customers to which Group grants credit terms in the normal course of business. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade receivables.

At 31 March 2017; 31 March 2016 and 1 April 2015, the entire exposure to credit risk for trade receivable is from country of domicile i.e. United States of America.

At 31 March 2017 the Group had exposure to only one type of counter party i.e. wholesalers. Two customers represented approximately 70% of gross trade receivable balance as on 31 March 2017.

Impairment

As per simplified approach the Group makes provision of expected credit losses on trade receivable using a provision matrix to mitigate the risk of default payment and make appropriate provision at each reporting date wherever.

At 31 March 2017, the ageing of trade receivables that were not impaired was as follows.

	USD		
	31 March 2017	31 March 2016	1 April 2015
Neither past due nor impaired	38,747,394	27,590,642	31,624,218
Past due 1-180 days	25,958	117,575	909,396
Past due more than 180 days	-	-	-
	<u>38,773,352</u>	<u>27,708,217</u>	<u>32,533,614</u>

Management believes that the unimpaired amounts that are past due by more than 180 days are still collectible in full, based on historical payment behaviour and extensive analysis of customer credit risk, including underlying customers' credit ratings if they are available.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows.

	31 March 2017		31 March 2016	
	Individual impairments	Collective impairments	Individual impairments	Collective impairments
Balance as at beginning of the year	41,128	-	258,818	-
Impairment loss recognised	155,524	-	227,000	-
Amounts written off	160,474	-	444,690	-
Balance as at the end of the year	<u>36,178</u>	<u>-</u>	<u>41,128</u>	<u>-</u>

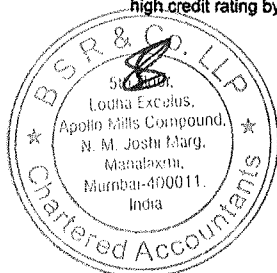
Loans to Fellow subsidiaries

The Group has an exposure of USD 61,122,506 as 31 March 2017 (USD 350,000 : 31 March 2016; USD Nil : 1 April 2015) for loans given to fellow subsidiaries. Such loans are classified as financial asset measured at amortised cost.

The Group did not have any amounts that were past due but not impaired at 31 March 2017, 31 March 2016 and 1 April 2015. The Group has no collateral in respect of these loans.

Other financial assets

Credit risk on cash and cash equivalents, deposits with banks is generally low as the said deposits have been made with the banks who have been assigned high credit rating by international and domestic credit rating agencies.



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THE PHARMANETWORK, LLC
NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
3.21 Financial instruments – Fair values and risk management
iii. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

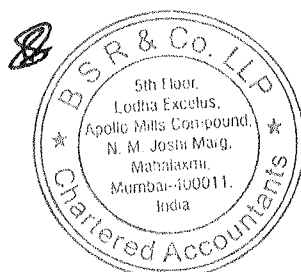
31 March 2017	Contractual cash flows					USD	
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payable	44,572,724	44,572,724	44,572,724	-	-	-	-
Current maturity of long term debts	358,600	358,600	-	358,600	-	-	-
Other Current financial liabilities	4,044,283	4,044,283	4,044,283	-	-	-	-

31 March 2016	Contractual cash flows					USD	
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Borrowings	348,485	348,485	-	-	348,485	-	-
Trade payable	30,298,364	30,298,364	30,298,364	-	-	-	-
Current maturity of long term debts	5,479,988	5,479,988	-	5,479,988	-	-	-
Other Current financial liabilities	5,641,918	5,641,918	5,641,918	-	-	-	-

1 April 2015	Contractual cash flows					USD	
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Borrowings	895,359	895,359	-	-	895,359	-	-
Working capital loans from banks	2,600,000	2,600,000	2,600,000	-	-	-	-
Trade payable	20,888,845	20,888,845	20,888,845	-	-	-	-
Current maturity of long term debts	15,479,988	15,479,988	-	15,479,988	-	-	-
Other Current financial liabilities	6,198,917	6,198,917	6,198,917	-	-	-	-

iv. Market risk

Market risk refers to risk of fluctuation in fair values or future cash flows because of changes in market rates or prices. The Group's exposure from market risk is primarily on account of interest rate risk.



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THEPHARMANETWORK, LLC**NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3.21 Financial instruments – Fair values and risk management****Interest rate risk**

Interest rate risk can be either fair value interest rate risk or cash flow interest rate risk. Fair value interest rate risk is the risk of changes in fair values of fixed interest bearing investments because of fluctuations in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of floating interest bearing investments will fluctuate because of fluctuations in the interest rates.

Exposure to interest

Group's interest rate risk arises from borrowings and fixed income securities. Fixed income securities exposes the Group to fair value interest rate risk. The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows.

	Carrying amount in USD		
	31 March 2017	31 March 2016	1 April 2015
Fixed-rate instruments			
Financial assets	6,122,506	474,734	24,734
Financial liabilities	358,600	828,473	1,375,347
	5,763,906	(353,739)	(1,350,613)
Variable-rate instruments			
Financial liabilities	-	5,000,000	17,600,000
	-	(5,000,000)	(17,600,000)
Total	5,763,906	(5,353,739.0)	(18,950,613)

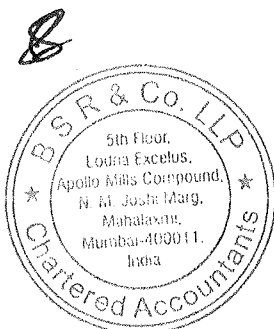
Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would not have any material impact on the equity

Cash flow sensitivity analysis for variable-rate instruments

A change of 100 basis points in interest rates would not have any material impact on the equity



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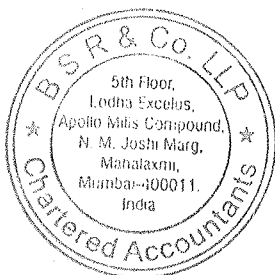
THE PHARMANETWORK, LLC**NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3.22 Capital Management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group monitors capital using a ratio of 'adjusted net debt' to 'adjusted equity'. For this purpose, adjusted net debt is defined as total liabilities, comprising interest-bearing loans and borrowings and obligations under finance leases, less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratio was as follows:

	USD		
	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
Total Borrowings (Including current portion of Long term debts)	358,600	5,828,473	18,975,347
Less : Cash and cash equivalent	1,641,049	2,835,277	7,415,432
Adjusted Net debt	(1,282,449)	2,993,196	11,559,915
Total equity	54,442,992	35,798,610	15,400,031
Adjusted net debt to equity ratio	(0.02)	0.08	0.75



THE PHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3.23 First-time adoption of Ind AS

I. First-time adoption of Ind AS

The consolidated financial statements for the year ended 31 March 2017 have been prepared in accordance with Ind AS as issued and effective as at 31 March 2017. The Group's opening Ind AS balance sheet was prepared as at 1 April 2015, the Group's date of transition to Ind AS. In preparing the opening balance sheet, the Group has applied the mandatory exceptions and certain optional exemptions from full retrospective application of Ind AS in accordance with the guidance in Ind AS 101 'First Time Adoption of Indian Accounting Standards'.

This note explains the principal adjustments made by the Group in restating its Previous GAAP financial statements to Ind AS, in the opening balance sheet as at 1 April 2015 and in the financial statements as at and for the year ended 31 March 2016.

II. Optional exemptions from retrospective application

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Group has applied the following exemptions:

a) Business combinations

The Group has decided to take the exemption available for application of Ind AS 103, Business Combinations, to all business combinations that occurred prior to the date of transition to Ind AS i.e. before April 1, 2015. No additional assets or liabilities, which were not recognised under Previous GAAP, are required to be now recognised on availing this exemption. Further, there are no intangible assets acquired in any prior business combination which are required to be derecognized or intangible assets which were acquired but not recognised when applying Ind AS 38 as at the transition date to Ind AS.

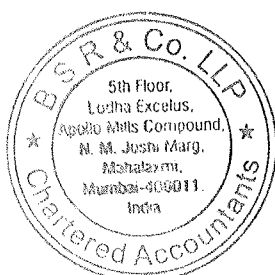
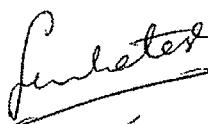
Ind AS 101 also requires that Indian GAAP carrying amount of goodwill must be used in the opening Ind AS balance sheet (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with Ind AS 101, the Group has tested goodwill for impairment at the date of transition to Ind AS. No goodwill impairment was deemed necessary at 1 April 2015.

The Group has elected to measure all the items of PPE and intangible assets at its previous GAAP carrying values which shall be the deemed cost as at the date of transition. As per FAQs issued by Accounting Standards Board (ASB) by Ind AS Transition Facilitation Group of Ind AS (IFRS) Implementation Committee of ICAI, deemed cost, is the amount used as a surrogate for the cost or depreciated cost and for the purpose of subsequent depreciation or amortisation, deemed cost becomes the cost as the starting point. Information regarding gross block of assets, accumulated depreciation and provision for impairment under Previous GAAP has been disclosed by way of a note forming part of the financial statements.

b) Cumulative translation difference for foreign operations

The Group has elected to use exemption from recognising and accumulating cumulative translation differences of its foreign operations in a separate component of equity on the date of transition. Hence, the cumulative translation differences for all the foreign operations are deemed to be zero at the date of the transition to Ind AS.

The remaining voluntary exemptions as per Ind AS 101 - First time adoption either do not apply or are not relevant to the Group



THE PHARMANETWORK, LLC

NOTE - 3: NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (Continue Note 3.24 First-time adoption of Ind AS (Continued))

III. Mandatory exemptions from retrospective application

The mandatory exceptions either do not apply or are not relevant to the Group.

i. Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Group has concluded that there is no necessity to revise the estimates under Ind AS, as there is no objective evidence of an error in those estimates. However, estimates that were required under Ind AS but not required under Previous GAAP are made by the Group for the relevant reporting dates reflecting conditions existing as at that date.

ii. Classification and measurement of financial assets

The classification of financial assets to be measured at amortised cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to Ind AS.

IV Transition to Ind AS - Reconciliations

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to Ind AS in accordance with Ind AS 101:

- i. Reconciliation of equity as at 1 April 2015
- ii. Reconciliation of equity as at 31 March 2016
- iii. Reconciliation of Statement of Profit and Loss for the year ended 31 March 2016
- iv. Adjustments to Statement of Cash Flows for the year ended 31 March 2016

Previous GAAP figures have been reclassified/regrouped wherever necessary to conform with financial statements prepared under Ind AS.



THE PHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3.23 First- time adoption of Ind AS (Continued)

IV. Reconciliations under Ind AS 101

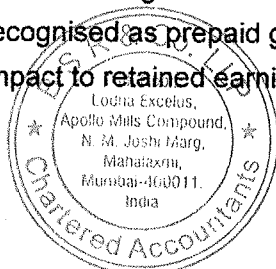
(i) Reconciliation of Equity as at 1 April 2015

Particulars		Note Ref.	USD		
			As at 1 April 2015		
			Previous GAAP	Adjustments	IND AS
(1)	ASSETS				
	Non-Current Assets				
	(a) Property, Plant and Equipment		145,693	-	145,693
	(b) Other Intangible assets		3,445,223	-	3,445,223
(2)	Current Assets				
	(a) Inventories		18,984,063	-	18,984,063
	(b) Financial Assets				
	i) Trade receivables		32,602,035	-	32,602,035
	ii) Cash and cash equivalents		7,415,432	-	7,415,432
	iii) Loans		24,734		24,734
	(c) Other current assets	(a)	172,226	297,995	470,221
			62,789,406	297,995	63,087,401
	EQUITY AND LIABILITIES				
	Equity				
	(a) Equity Share Capital		9,561,556	-	9,561,556
	(b) Other Equity		5,540,480	297,995	5,838,475
(1)	LIABILITIES				
	Non-current Liabilities				
	(a) Financial liabilities				
	i) Borrowings		895,359	-	895,359
(2)	Current Liabilities				
	(a) Financial liabilities				
	i) Borrowings		2,600,000		2,600,000
	ii) Trade payables		20,888,845	-	20,888,845
	iii) Other financial liabilities		21,678,905	-	21,678,905
	(b) Provisions		1,611,831		1,611,831
	(c) Other current liabilities		12,430		12,430
	Total equity and liabilities		62,789,406	297,995	63,087,401

Notes:-

a) Fair valuation of financial guarantee contract

The Group has taken guarantees for loans availed from its Ultimate Holding Company. These financial guarantees have been measured at fair value on the date of initial recognition with corresponding amount being recognised as prepaid guarantee commission. The same has been amortised over the term of the guarantee on a straight line basis. As a result an amount of **USD 297,995** has been recognised as prepaid guarantee commission on the date of the transition with a corresponding positive impact to retained earning.



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THEPHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3.23 First- time adoption of Ind AS (Continued)

IV. Reconciliations under Ind AS 101

(ii) Reconciliation of Equity as at 31 March 2016

There are no material differences between the Equity as on 31 March 2016 presented under Ind AS and previous GAAP

(iii) Reconciliation of profit or loss for the year ended 31 March 2016

USD

Particulars	Notes	Previous GAAP	Adjustments	IND AS
I Revenue from Operations		139,036,494	-	139,036,494
II Other Income		499	-	499
III Total Income (I+II)		139,036,993	-	139,036,993
IV EXPENSES				
Purchase of stock in trade		113,260,767	-	113,260,767
Changes in inventories of finished goods, work-in-progress and stock-in-trade		(14,784,503)	-	(14,784,503)
Employee Benefits Expenses		4,346,450	-	4,346,450
Finance Cost	(a)	471,677	297,995	769,672
Depreciation and Amortization Expenses		327,309	-	327,309
Other expenses		14,718,719	-	14,718,719
Total Expenses (IV)		118,340,419	297,995	118,638,414
V (Loss)/Profit before tax (III-IV)		20,696,574	(297,995)	20,398,579
VI Tax expenses				
Current tax		-	-	-
Deferred tax		-	-	-
VII Profit/(Loss) for the year (V-VI)		20,696,574	(297,995)	20,398,579
VIII Other Comprehensive Income				
(i) Items that will be reclassified to profit or loss		-	-	-
Total Other Comprehensive Income (VIII)		-	-	-
Total Comprehensive Income for the period (VII+VIII) (Comprising profit/ (Loss) and Other Comprehensive Income for the period)		20,696,574	(297,995)	20,398,579
IX				

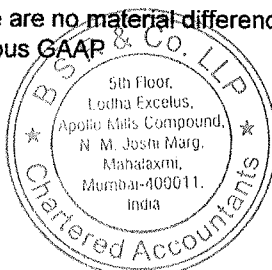
Notes:-

a) Amortisation of unearned guarantee commission

The Group has recognised guarantee commission on financial guarantee from its Ultimate Holding company on loans availed from banks. This has resulted in an increase of finance cost by **USD 297,995**.

(iv) Adjustments to Statement of Cash Flows for the year ended 31 March 2016

There are no material differences between the Statement of Cash Flows presented under Ind AS and previous GAAP



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THEPHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.24 Segment Reporting

An Operating Segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transaction with any of the Group's other components, and for which discrete financial information is available.

The Group is exclusively engaged in pharmaceutical business. As the Group has a single reportable segment, the segment wise disclosure requirements of Ind AS 108 on Operating Segment is not applicable.

Entity-wide disclosures

The geographical information analyses the group's revenues and non-current assets by the company's country of domicile (i.e. United States of America ("USA") and other countries. In presenting the geographical information, segment revenue has been based on the geographical location of customers.

The Group derives external revenue only from its country of domicile i.e. United States of America

The Group have external revenue from three customer which exceeded 10% of total revenue which accounts for 80.6% and 72.1% for the year ended 31 March 2017 and 31 March 2016 respectively.

3.25 Impairment testing for cash generating unit (CGU) containing goodwill

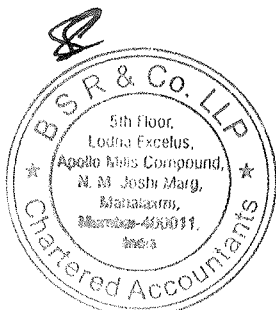
Goodwill was assigned on the purchase of Medical Speciality Consultants, LLC for a total of USD 857,098. Contingency payments have been valued based upon the revenues and cash flows from this activity which have remained fairly consistent since the acquisition.

We evaluated goodwill for impairment using cash flow projections for next five years and have determined the value of those cash flows to be in excess of the current carrying value of goodwill. As revenues are forecasted to continue, the Group concluded that a positive assertion can be made from the qualitative assessment that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount.

These assumptions are reviewed annually as part of management's budgeting and strategic planning cycles. These estimates may differ from actual results. The values assigned to each of the key assumptions reflect the Management's past experience as their assessment of future trends, and are consistent with external / internal sources of information.

Based on the above assumptions and analysis, no impairment was identified for above goodwill as at 31 March 2017, 31 March 2016 and 1 April 2015 as the recoverable value of the goodwill exceeded the carrying value.

The Group has also performed sensitivity analysis calculations on the projections used and discount rate applied. The Directors have concluded that, given the significant headroom that exists, and the results of the sensitivity analysis performed, there is no significant risk that reasonable changes in any key assumptions would cause the carrying value of goodwill to exceed its value in use.



THE PHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.26 Contingent Liabilities and Commitments

a) Contingent Liabilities

Group has no contingent liability as on 31 March 2017, 31 March 2016, 1 April 2015

b) Commitments

Sr.No.	Particulars	As at 31 March 2017	As at 31 March 2016	As at 1 April 2015
		USD	USD	USD
1	Estimated amount of contracts remaining to be executed on Capital Accounts	1,100,000	-	-

3.27 Disclosure of Employee Benefits

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.

Particulars	As at 31 March 2017	As at 31 March 2016
	USD	USD
- Contribution to 401 (k) Safe Harbor Plan ("Plan")	156,327	121,393

3.28 The Group has entered into non - cancellable operating lease agreements for premises/car/Computers. Rent expenses debited to the Statement of Profit and Loss is as below:

Operating Lease

Particulars	As at 31 March 2017	As at 31 March 2016
	USD	USD
Rent expense	332,681	169,935
Total	332,681	169,935

The future minimum lease payments in respect of the non cancellable lease agreements as on the year end is as below:

Finance Lease Disclosure

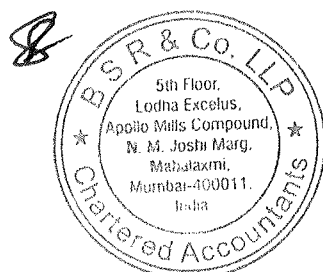
The Group has future obligations under finance lease for procurement of intangible assets which are payable as follows:

The future minimum lease payments in respect of the Capital Lease as on the year end is as below:

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
	USD	USD
Not later than one year	358,600	479,988
Later than one year but not later than five years	-	358,600
Later than five years	-	-

3.29 Earnings per unit (EPU)

Particulars			Year ended 31 March, 2017	Year ended 31 March, 2016
Profit /(loss) after tax attributable to members	USD	A	18,644,382	20,398,579
Weighted average number of units outstanding during the year	Nos.	B	66,501,766	66,501,766
Basic and diluted earnings per unit	USD	(A / B)	0.28	0.31



Per [Signature]

THEPHARMANETWORK, LLC

NOTE - 3: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3.30 Disclosure As per Indian Accounting Standard (Ind AS 37) for provisions is as under:

Provision for anticipated sales return, chargebacks and rebates:

USD

Particulars	As at 31 March 2017	As at 31 March 2016
Carrying amount at the beginning of the year	901,745	1,611,831
Add: Provision made during the year *	3,768,986	1,558,788
Less: Amount used/utilized during the year	(3,482,251)	(2,268,874)
Carrying amount at the end of the year	1,188,480	901,745

3.31 Recent accounting pronouncements

In March 2017, the Ministry of Corporate Affairs issued the Companies (Indian Accounting Standards) (Amendments) Rules, 2017, notifying amendments to Ind AS 7, 'Statement of Cash Flows'. These amendments are in accordance with the recent amendments made by International Accounting Standards Board (IASB) to IAS 7, 'Statement of Cash Flows'. The amendments are applicable to the Group from 1 April 2017.

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Group is evaluating the requirements of the amendment and the effect on the financial statements is being evaluated.

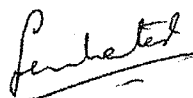
The accompanying notes are an integral part of these financial statements

As per our report of even date attached,
For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No. 101248W/W-100022

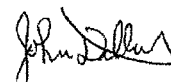


Sadashiv Shetty
Partner
Membership No. 048648
Mumbai
Date : 22 May 2017

For and on behalf of the
Board of Director of ThePharmaNetwork, LLC.



S Venkatesh
Director



John Dilaway
Director

Parsippany, New Jersey, USA
Date : 22 May 2017