

Report on the financial statements of Alkem Pharma GmbH, Germany, a foreign subsidiary of Alkem Laboratories Limited, India required for the purposes of Section 129(3) of the Companies Act, 2013 and its consolidation with the financial statements of the holding company.

Independent Auditor's Report

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

Report on the Standalone Ind AS Financial Statements:

We have audited the accompanying standalone Ind AS financial statements of **Alkem Pharma GmbH, Germany** ('the Company') which comprise the Balance Sheet as at 31st March, 2018, the statement of Profit & Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "standalone Ind AS financial statements") prepared by its management in its reporting currency in Euro. These financial statements are translated by the management of its holding company M/s Alkem Laboratories Ltd., India in Indian currency (INR) and is also presented in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 and as per Ind AS, for the purpose of presenting to its shareholders as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India.

Management's Responsibility for the Standalone Financial Statements:

The Company's Board of Directors is responsible for preparation of these Ind AS standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS 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 standalone Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder to the extent applicable.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical



requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone 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 standalone Ind AS financial statements give the information required in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March, 2018, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Report on Other Legal and regulatory Requirements:

1. This audit is for the purpose of presenting the standalone Ind AS financial statements in Indian currency (INR) and in the formats and as per requirements of Division II of Schedule III to the Companies Act, 2013 as per Ind AS, for the purpose of presenting it to the shareholders of the holding company as required by Section 129(3) of the Companies Act, 2013 and for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India and is not a report under Section 143 of the Companies Act, 2013, and accordingly does not include any statement on the matters specified in and required by Section 143 (11), 143(3)(g) and 143(3)(i) of the Companies Act, 2013 and Rule 11 of the Companies (Audit and Auditors') Rules, 2014 including the Companies (Auditors' Report) Order, 2016;
2. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
3. In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
4. The Balance Sheet, the Statement of Profit and Loss, the Cash Flows Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
5. In our opinion, the aforesaid standalone Ind AS financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Companies Act, 2013.



6. In our opinion, the standalone Ind AS financial statements dealt with by this report are translated from Euro to Indian Rupees by adopting the applicable rates of foreign currency for the year in accordance with Ind AS-21 prescribed by the Companies (Indian Accounting Standard) Rules, 2015.

For **R.S.SANGHAI & ASSOCIATES**

Chartered Accountants

Firm Registration No. 109094W



R.S.SANGHAI

Partner

Membership No.: 036931

Mumbai: 19th May, 2018



ALKEM PHARMA GMBH
FINANCIAL STATEMENTS
BALANCE SHEET AS ON 31ST MARCH, 2018

Particulars	Note No.	As at 31st March, 2018	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2017
		EURO	Rs.	EURO	Rs.
I. ASSETS					
1 Current assets					
(a) Financial Assets					
(i) Cash and cash equivalents	2.1	3,048	2,43,749	9,135	6,35,000
Total Current assets		3,048	2,43,749	9,135	6,35,000
TOTAL ASSETS		3,048	2,43,749	9,135	6,35,000
II. EQUITY AND LIABILITIES					
1 Equity					
(a) Equity Share Capital	2.2	25,000	17,08,980	25,000	17,08,980
(b) Other Equity (Refer statement of changes in equity)		(76,672)	(58,41,208)	(52,141)	(35,95,526)
Total Equity		(51,672)	(41,32,228)	(27,141)	(18,86,546)
2 Non-Current Liabilities					
(a) Financial Liabilities					
(i) Borrowings	2.3	40,500	32,38,817	31,659	22,00,647
Total Non-Current Liabilities		40,500	32,38,817	31,659	22,00,647
3 Current liabilities					
(a) Financial Liabilities					
(i) Trade payables	2.4	7,322	5,85,507	622	43,263
(ii) Other financial liability	2.5	6,898	5,51,652	3,994	2,77,636
Total Current Liabilities		14,220	11,37,159	4,617	3,20,899
TOTAL EQUITY AND LIABILITIES		3,048	2,43,749	9,135	6,35,000

Significant Accounting Policies

1B

Notes to accounts

2

The accompanying notes are an integral part of financial statements.

As per our attached report of even date

For R.S.SANGHAI & ASSOCIATES

Chartered Accountants

Firm's registration number: 109094W

R.S.SANGHAI

Partner

Membership number: 036931

Place : Mumbai

Dated : 19th May, 2018



For and on behalf of the Board

[Signature]

Amit Ghare
Director

[Signature]

Sandeep Singh
Director

Germany

ALKEM PHARMA GMBH
FINANCIAL STATEMENTS
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2018

Particulars	Note No.	For the Year ended 31st March, 2018	For the Year ended 31st March, 2018	For the Year ended 31st March, 2017	For the Year ended 31st March, 2017
		EURO	Rs.	EURO	Rs.
1 Income					
Total Income		-	-	-	-
2 Expenses					
(a) Finance Costs	2.6	9,760	7,36,522	3,043	2,23,627
(b) Other expenses	2.7	14,772	11,14,773	3,856	2,83,399
Total Expenses		24,531	18,51,294	6,899	5,07,027
3 Profit before tax (1) - (2)		(24,531)	(18,51,294)	(6,899)	(5,07,027)
4 Tax expenses		-	-	-	-
5 Profit for the period (3) - (4)		(24,531)	(18,51,294)	(6,899)	(5,07,027)
6 Other Comprehensive Income					
(a) Items that will be reclassified to profit or loss					
(i) Foreign Currency Translation Difference		-	(3,94,388)	-	1,35,029
Total of Other Comprehensive Income for the period, net of tax		-	(3,94,388)	-	1,35,029
7 Total Comprehensive Income for the period (5) + (6)		(24,531)	(22,45,682)	(6,899)	(3,71,997)
8 Basic and diluted earnings per share	2.8	(12,266)	(9,25,647)	(3,449)	(2,53,513)

Significant Accounting Policies

1B

Notes to accounts

2

The accompanying notes are an integral part of financial statements.

As per our attached report of even date

For R.S.SANGHAI & ASSOCIATES

Chartered Accountants

Firm's registration number: 109094W

R.S.SANGHAI

Partner

Membership number: 036931

Place : Mumbai

Dated : 19th May, 2018



For and on behalf of the Board

Amit Ghare
Director

Sandeep Singh
Director

ALKEM PHARMA GMBH
FINANCIAL STATEMENT
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

Particulars	Year ending 31st March, 2018		Year ending 31st March, 2017	
	EURO	Rs.	EURO	Rs.
A. Cash Flow from Operating activities				
Profit before Tax	(24,531)	(18,51,294)	(6,899)	(5,07,027)
Adjustments for :				
Interest Expense	9,760	7,36,522	3,043	2,23,627
Operating Profit before Working Capital Changes	(14,772)	(11,14,773)	(3,856)	(2,83,399)
Adjustments for :				
Trade Payables	6,699	5,05,555	652	47,888
Other Current Liabilities	2,904	2,19,153	-	-
Cash (used in) / Generated from Operations	(5,169)	(3,90,064)	(3,204)	(2,35,511)
Net cash (used in) /generated from operating activities	(5,169)	(3,90,064)	(3,204)	(2,35,511)
B. Cash Flow from Investing activities	-	-	-	-
C. Cash Flow from Financing activities				
Proceeds from Long Term Borrowings	8,841	6,67,170	13,352	9,81,292
Interest Expense	(9,760)	(7,36,522)	(3,043)	(2,23,627)
Net cash (used In) /generated from Financing activities	(919)	(69,351)	10,309	7,57,665
Net Increase/(decrease) In cash and cash equivalents (A + B + C)	(6,088)	(4,59,416)	7,105	5,22,154
Cash and cash equivalents at the beginning of the year	9,135	6,35,000	2,031	1,51,949
Cash and cash equivalents at the end of the year	3,048	1,75,584	9,135	6,74,103
Notes :				
1) Cash and cash equivalents include :				
Particulars	As at 31st March, 2018		As at 31st March, 2017	
	EURO	Rs.	EURO	Rs.
Cash and Bank balances (Refer Note 2.1)	3,048	2,43,749	9,135	6,35,000
Exchange difference (Unrealised (Gain) / Loss)	-	(68,165)	-	39,103
Total	3,048	1,75,584	9,135	6,74,103

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

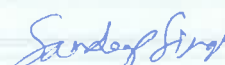
As per our attached report of even date
For R.S.SANGHAI & ASSOCIATES
Chartered Accountants
Firm's registration number: 109094W

R.S.SANGHAI
Partner
Membership number: 036931
Place : Mumbai
Dated : 19th May, 2018



For and on behalf of the Board


Amit Ghare
Director


Sandeep Singh
Director

ALKEM PHARMA GMBH
FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31ST MARCH, 2018

(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

As at 31st March, 2018		As at 31st March, 2017	
No. of Shares	Amount	No. of Shares	Amount
2	25,000	2	25,000
-	-	-	-
2	25,000	2	25,000
Rs.			
As at 31st March, 2018		As at 31st March, 2017	
No. of Shares	Amount	No. of Shares	Amount
2	17,08,980	2	17,08,980
-	-	-	-
2	17,08,980	2	17,08,980

(a) Equity share capital

Balance at the beginning of the reporting period
Changes in equity share capital during the year
Balance at the end of the reporting period

Other Equity

EURO

Particulars	Reserves and Surplus	Items of OCI	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2016	(45,242)	-	(45,242)
Total Comprehensive			
Profit for the year ended 31st March, 2017	(6,899)	-	(6,899)
Other Comprehensive Income	-	-	-
Balance at 31st March, 2017	(52,141)	-	(52,141)
Total Comprehensive			
Profit for the year ended 31st March, 2018	(24,531)	-	(24,531)
Other Comprehensive Income	-	-	-
Balance at the end of the reporting period	(76,672)	-	(76,672)

Other Equity

Rs.

Particulars	Reserves and Surplus	Items of OCI	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2016	(31,14,405)	(1,09,124)	(32,23,529)
Total Comprehensive			
Profit for the year ended 31st March, 2017	(5,07,027)	-	(5,07,027)
Other Comprehensive Income	-	1,35,029	1,35,029
Balance at 31st March, 2017	(36,21,432)	25,906	(35,95,526)
Total Comprehensive			
Profit for the year ended 31st March, 2018	(18,51,294)	-	(18,51,294)
Other Comprehensive Income	-	(3,94,388)	(3,94,388)
Balance at the end of the reporting period	(54,72,726)	(3,68,482)	(58,41,208)

As per our attached report of even date
For R.S.SANGHAI & ASSOCIATES
Chartered Accountants
Firm's registration number: 109094W

R.S.SANGHAI

Partner

Membership number: 036931


Place : Mumbai

Dated : 19th May, 2018



For and on behalf of the Board


Amit Ghare
Director


Sandeep Singh
Director

1A GENERAL INFORMATION

These financial statements are prepared solely for the purposes of consolidation by the holding company, Alkem Laboratories Ltd.

1B SIGNIFICANT ACCOUNTING POLICIES:

1.1 Basis of preparation of Financial Statements:

The financial statements of the Company as at and for the year ended 31st March, 2018 have been prepared in accordance with 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 and the relevant provisions of the Act.

The Company 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 Company classifies all other liabilities as non-current

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

1.2 Financial instruments

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

(a) Financial Assets

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The financial assets are classified in the following measurement categories:

- a) Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- b) Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss as incurred.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments.

The Company follows trade date accounting for all regular way purchase or sale of financial assets.

(i) Amortised Cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- a) The asset is held within a business model with the objective of collecting the contractual cash flows, and
- b) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost include loans receivable, trade and other receivables, and other financial assets that are held with the objective of collecting contractual cash flows. After initial measurement at fair value, the financial assets are measured at amortised cost using the effective interest rate (EIR) method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in other income.

(ii) Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

For equity instruments, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value. The Company makes such election on an instrument by-instrument basis. The classification is made on initial recognition and is irrevocable.



(iii) Financial assets at fair value through profit or loss

The Company classifies the following financial assets at fair value through profit or loss:

- a) Debt investments that do not qualify for measurement at amortised cost;
- b) Debt investments that do not qualify for measurement at fair value through other comprehensive income; and
- c) Debt investments that have been designated at fair value through profit or loss.

Financial assets at fair value through profit or loss include financial assets held for trading, debt securities and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the Balance Sheet at fair value with net changes in fair value presented as finance costs in profit or loss. Interests, dividends and gain/loss on foreign exchange on financial assets at fair value through profit or loss are included separately in other income.

If Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. There are no impairment requirements for equity investments measured at fair value through other comprehensive income. Changes in the fair value of financial assets at fair value through profit or loss shall be recognised in other gain/(losses) in the statement of profit or loss as applicable.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit and loss.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Impairment of Financial Assets

The Company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

- a) Financial assets that are debt instruments and are measured at amortised cost e.g., loans, deposits, trade receivables and bank balance
- b) Trade receivables or any contractual right to receive cash or other financial asset that result from transactions that are within the scope of Ind AS 11 and Ind AS 18

Expected credit losses is the probability-weighted estimate of credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the company expects to receive. The expected credit losses consider the amount and timing of payments and hence, a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The expected credit loss method requires to assess credit risk, default and timing of collection since initial recognition. This requires recognising allowance for expected credit losses in profit or loss even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12 month expected credit losses or life time expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. '12 month expected credit losses' represent the expected credit losses resulting from default events that are possible within 12 months after the reporting date. 'Lifetime expected credit losses' represent the expected credit losses that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime expected credit losses does not differ from that measured as 12 month expected credit losses. The Company uses the practical expedient in Ind AS 109 for measuring expected credit losses for trade receivables using a provision matrix based on ageing of receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing.

Interest income

For all financial instruments measured at amortised cost and interest bearing financial assets, interest income is recognised using the effective interest rate (EIR), which is the rate that discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original EIR.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Reclassification of financial assets

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model. The Company does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.



The following table shows various reclassifications and how they are accounted for

Original classification	Revised classification	Accounting treatment
Amortised cost	FVTPL	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in statement of profit and loss.
FVTPL	Amortised Cost	Fair value at reclassification date becomes its new gross carrying amount. EIR is calculated based on the new gross carrying amount
Amortised cost	FVTOCI	Fair value is measured at reclassification date. Difference between previous amortised cost and fair value is recognised in OCI. No change in EIR due to reclassification.
FVOCI	Amortised cost	Fair value at reclassification date becomes its new amortised cost carrying amount. However, cumulative gain or loss in OCI is adjusted against fair value. Consequently, the asset is measured as if it had always been measured at amortised cost.
FVTPL	FVTOCI	Fair value at reclassification date becomes its new carrying amount. No other adjustment is required.
FVTOCI	FVTPL	Assets continue to be measured at fair value. Cumulative gain or loss previously recognized in OCI is reclassified to statement of profit and loss at the reclassification date.

(b) Financial Liabilities

The Company determines the classification of its financial liabilities at initial recognition.

Classification

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss include financial liabilities held for trading. The Company has not designated any financial liabilities upon initial recognition at fair value through profit and loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. At initial recognition, the Company measures financial liabilities at its fair value. Financial liabilities at fair value through profit and loss are carried in the Balance Sheet at fair value with changes recognised in the Statement of Profit and Loss.

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value, net of transaction cost incurred and are subsequently measured at amortised cost, using the EIR method. Any difference between the proceeds net of transaction costs and the amount due on settlement or redemption of borrowings is recognised over the term of the borrowing.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest charge over the relevant effective interest rate period. The effective interest rate is the rate that exactly discounts estimated future cash outflow (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counter party.



1.3 Revenue Recognition:

a) Revenue (including in respect of insurance or other claims, interest etc.) is recognised when it is reasonable to expect that the ultimate collection will be made

1.4 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 Euro.

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.

1.5 Borrowing Costs:

Borrowing costs are interest and other costs incurred by the Company 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.

1.6 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.



Particulars	As at 31st March, 2018	As at 31st March, 2018	As at 31st March, 2017	As at 31st March, 2017
	EURO	Rs.	EURO	Rs.
2.1 : CASH AND CASH EQUIVALENT:				
Balance with Banks: In Current Accounts	3,048	2,43,749	9,135	6,35,000
TOTAL	3,048	2,43,749	9,135	6,35,000
2.2 : EQUITY SHARE CAPITAL:				
<u>Authorised:</u> 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/- (Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/-)	25,000	17,08,980	25,000	17,08,980
	25,000	17,08,980	25,000	17,08,980
<u>ISSUED, SUBSCRIBED & PAID-UP :</u> 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/- (Previous Year 1 Equity Share of EURO 250/- and 1 Equity Share of EUROS 24,750/-)	25,000	17,08,980	25,000	17,08,980
TOTAL	25,000	17,08,980	25,000	17,08,980
OTHER EQUITY				
<u>Retained Earnings:</u>				
At the commencement of the period/year	(52,141)	(36,21,432)	(45,242)	(31,14,405)
Add: Profit for the period/year	(24,531)	(18,51,294)	(6,899)	(5,07,027)
At the end of the period/year	(76,672)	(54,72,726)	(52,141)	(36,21,432)
<u>Other Comprehensive Income:</u>				
At the commencement of the period/year	-	25,906	-	(1,09,124)
Add: Profit for the period/year	-	(3,94,388)	-	1,35,029
At the end of the period/year	-	(3,68,482)	-	25,906
TOTAL	(76,672)	(58,41,208)	(52,141)	(35,95,526)
2.3 : NON CURRENT BORROWINGS:				
<u>Unsecured:</u> Loans and Advances from related parties	40,500	32,38,817	31,659	22,00,647
TOTAL	40,500	32,38,817	31,659	22,00,647
2.4 : TRADE PAYABLES:				
Others	7,322	5,85,507	622	43,263
TOTAL	7,322	5,85,507	622	43,263
2.5 : OTHER FINANCIAL LIABILITIES				
Interest accrued but not due on borrowings	3,923	3,13,725	-	-
Accrual for Expenses	2,975	2,37,927	3,994	2,77,636
TOTAL	6,898	5,51,652	3,994	2,77,636

Particulars	For the Year ended 31st March, 2018	For the Year ended 31st March, 2018	For the Year ended 31st March, 2017	For the Year ended 31st March, 2017
	EURO	Rs.	EURO	Rs.
2.6 : FINANCE COST:				
Interest on borrowings	9,322	7,03,495	2,628	1,93,125
Other borrowing cost	438	33,027	415	30,502
	9,760	7,36,522	3,043	2,23,627
2.7 : OTHER EXPENSES:				
Warehouse setup expenses	5,712	4,31,062	-	-
Membership Fees	129	9,714	-	-
Legal and professional Fees	8,931	6,73,996	3,500	2,57,235
Miscellaneous expenses	-	-	356	26,164
	14,772	11,14,773	3,856	2,83,399



2.8 Earnings per share (EPS)

EURO

Particulars			Year ended 31 March, 2018	Year ended 31 March, 2017
Profit /(loss) after tax attributable to equity shareholders	EURO	A	(24,531)	(6,899)
Weighted average number of equity shares outstanding during the year	Nos.	B	2	2
Basic and diluted earnings per equity share (Euro)	EURO	(A / B)	(12,266)	(3,449)

Rs.

Particulars			Year ended 31 March, 2018	Year ended 31 March, 2017
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	(18,51,294)	(5,07,027)
Weighted average number of equity shares outstanding during the year	Nos.	B	2	2
Basic and diluted earnings per equity share (Rs)	Rs.	(A / B)	(9,25,647)	(2,53,513)

2.9 Average exchange rate as on 31st March 2018 considered for the purpose of translation as referred in note no. 1.4 is **Rs.75.466/1Euro** (Rs. 73.4956/1Euro).

Closing exchange rate as on 31st March 2018 considered for the purpose of translation as referred in note no. 1.4 is **Rs.79.970/1Euro** (Rs.69.510/1Euro).



2.10 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 2018.

List of related parties and their relationship

A Company whose control exists

Alkem Laboratories Limited

B Fellow Subsidiaries

Alkem Laboratories (NIG) Limited

Alkem Laboratories (PTY) Limited

Alkem Laboratories Corporation

S & B Holdings B.V.

Pharmacor Pty Limited

ThePharmaNetwork, LLC (Wholly owned Subsidiary of S&B Holdings B.V)

Ascend Laboratories SDN BHD.

Ascend Laboratories SpA

Enzene Biosciences Ltd.

Alkem Laboratories Korea Inc

Pharmacor Ltd.

S & B Pharma Inc.

The PharmaNetwork, LLP

Ascend Laboratories, LLC (Wholly owned by ThePharmanetwork, LLC)

Ascend Laboratories (UK) Ltd.

Cachet Pharmaceuticals Pvt. Ltd (w.e.f 27 March 2015)

Indchemie Health Specialities Pvt. Ltd.(w.e.f 30 March 2015)

Alkem Foundation

Ascend Laboratories Ltd, Canada

Pharma Network SpA (Wholly owned by Ascend Laboratories SpA) (with effect from 27 March 2018

Nigeria

South Africa

Philippines

Netherlands

Australia

United States of America

Malaysia

Chile

India

Korea

Kenya

United States of America

Kazakhstan

United States of America

United Kingdom

India

India

India

Canada

Chile

C Key Managerial Personnel ("KMP")

Mr.Amit Ghare

Director

Mr.Sandeep Singh

Director

Details of Transactions with Related Parties

Sr. No.	Particulars	Holding Company	
		EURO	Rs.
1	Loans Taken	5,000 (10,000)	3,77,330 (7,34,956)
2	Interest expense on loans taken	9,322 (10,173)	7,03,495 (7,47,671)

Balance due from / to the related Parties

Sr. No.	Particulars	Holding Company	
		EURO	Rs.
1	Borrowings (Including accrued interest)	44,423 (31,659)	35,52,543 (22,00,647)

* All the related party transactions were made on terms equivalent to those that prevail in an arm's length transactions.

* Figures in the brackets are the corresponding figures of the previous year.



2.11 Financial instrument fair values and risk management

A. Accounting classification and fair values

Particulars	As at 31st March 2018				As at 31st March 2018			
	Carrying amount				Carrying amount			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	3,048	3,048	-	-	2,43,749	2,43,749
	-	-	3,048	3,048	-	-	2,43,749	2,43,749
Financial liabilities								
Long term borrowings (Including current maturity of Long term borrowings)	-	-	40,500	40,500	-	-	32,38,817	32,38,817
Trade and other payables	-	-	7,322	7,322	-	-	5,85,507	5,85,507
	-	-	47,822	47,822	-	-	38,24,324	38,24,324

Particulars	As at 31st March 2017				As at 31st March 2017			
	Carrying amount				Carrying amount			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	9,135	9,135	-	-	6,35,000	6,35,000
	-	-	9,135	9,135	-	-	6,35,000	6,35,000
Financial liabilities								
Long term borrowings (Including current maturity of Long term borrowings)	-	-	31,659	31,659	-	-	22,00,647	22,00,647
Trade and other payables	-	-	622	622	-	-	43,263	43,263
	-	-	32,282	32,282	-	-	22,43,910	22,43,910

The Company has no exposure to the following risks arising from financial instruments:

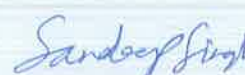
- Credit risk ;
- Liquidity risk ; and
- Market risk

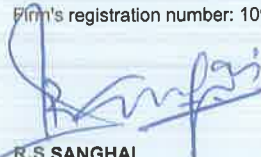
As per our attached report of even date
For **R.S.SANGHAI & ASSOCIATES**
Chartered Accountants
Firm's registration number: 109094W



For and on behalf of the Board


Amit Ghare
Director


Sandeep Singh
Director


R.S.SANGHAI
Partner
Membership number: 036931
Place : Mumbai
Dated : 19th May, 2018