



Report on the financial statements of S & B Holdings B.V., Netherlands, a foreign subsidiary of Alkem Laboratories Limited, India required for the purposes of its consolidation with the financial statements of the holding company as required by Section 129(3) of the Companies Act, 2013

Independent Auditor's Report

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

Report on the Standalone Ind AS Financial Statements:

At the request of Alkem Laboratories Ltd., India the holding company of **S & B Holdings B.V., Netherlands** ('the Company'), we have audited the accompanying standalone Ind AS financial statements of the company **S & B Holdings B.V., Netherlands** which comprise the Balance Sheet as at 31st March, 2021, the statement of Profit & Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the Cash Flow Statement 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 the holding company Alkem Laboratories Ltd., India in Indian currency (INR) and are 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, solely for the purpose of its consolidation with the financial statements of the holding company Alkem Laboratories Limited, India as required by Section 129(3) of the Companies Act, 2013.

Management's Responsibility for the Standalone Financial Statements:

The management of the holding company Alkem Laboratories Ltd., India and 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, changes in equity and cash flows 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; 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 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 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 these financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of those financial statements that give a 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 the accounting policies used and the reasonableness of the accounting estimates made by the management, 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 these 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 Group Accounting Policies of Alkem Laboratories Ltd. and the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31st March, 2021, and its financial performance including other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

Restriction on Distribution or Use:

Without modifying our opinion, we draw your attention to the fact that these financial statements are Special Purpose Financial Statements and do not constitute a set of statutory financial statements in accordance with the local laws of the country in which the company is incorporated and are prepared in Indian currency (INR) and in the formats and as per requirements of Division II of

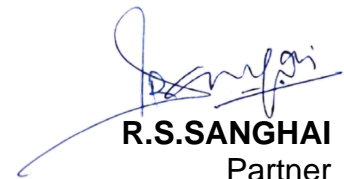


Schedule III to the Companies Act, 2013 as per Ind AS solely for the purpose of its consolidation with the financial statements of the holding company as per the requirements of Section 129(3) of the Companies Act, 2013, and should not be used for any other purpose. This is not a report under Section 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.

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

Chartered Accountants

Firm Registration No. 109094W



R.S.SANGHAI
Partner

Membership No.: 036931

Place: Mumbai

Date: 17th May, 2021

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S & B HOLDINGS B.V., NETHERLANDS
BALANCE SHEET AS AT 31ST MARCH, 2021

Particulars	Note No.	As at	As at	As at	As at
		31st March, 2021	31st March, 2021	31st March, 2020	31st March, 2020
		EURO	Rs.	EURO	Rs.
I. ASSETS					
1 Non-current assets					
(a) Financial assets					
(i) Investments	3.1	2,99,09,841	2,05,34,64,904	2,99,09,841	2,05,34,64,904
(b) Deferred tax assets (Net)	3.2	80,46,307	69,16,76,642	62,47,957	51,88,32,889
Total Non- current assets		3,79,56,148	2,74,51,41,546	3,61,57,798	2,57,22,97,793
2 Current assets					
(a) Financial Assets					
(i) Cash and cash equivalents	3.3	25,209	21,67,012	45,002	37,36,957
(b) Other current assets	3.4	-	-	5,229	4,34,245
Total Current assets		25,209	21,67,012	50,231	41,71,202
TOTAL ASSETS		3,79,81,357	2,74,73,08,558	3,62,08,029	2,57,64,68,995
II. EQUITY AND LIABILITIES					
1 Equity					
(a) Equity share capital	3.5	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375
(b) Other equity(Refer statement of changes in equity)		(1,73,80,129)	(1,84,94,57,823)	(1,76,34,227)	(1,83,63,77,211)
Total equity		1,82,10,423	1,04,77,59,552	1,79,56,325	1,06,08,40,164
2 Current liabilities					
(a) Financial Liabilities					
(i) Other financial liabilities	3.6	1,93,73,222	1,66,53,60,869	1,57,75,391	1,30,99,94,811
(b) Current tax liabilities (net)	3.7	3,97,712	3,41,88,137	24,76,313	20,56,34,020
Total current liabilities		1,97,70,934	1,69,95,49,006	1,82,51,704	1,51,56,28,831
TOTAL EQUITY AND LIABILITIES		3,79,81,357	2,74,73,08,558	3,62,08,029	2,57,64,68,995

Significant Accounting Policies 1B & 2

Notes to the Financial Statements 3

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

For and on behalf of the Board of

S & B Holdings B.V.

James Giuliano

R.S.Sanghai

Partner

Membership number: 036931

Place : Mumbai

Dated : 17th May, 2021

James Giuliano

Management board member

S & B HOLDINGS B.V., NETHERLANDS
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2021

Particulars	Note No.	For the Year ended	For the Year ended	For the Year ended	For the Year ended
		31st March, 2021	31st March, 2021	31st March, 2020	31st March, 2020
		EURO	Rs.	EURO	Rs.
1 Income					
(a) Revenue from operations		-	-	-	-
(b) Other income	3.8	9,66,202	8,34,75,511	-	-
Total Income		9,66,202	8,34,75,511	-	-
2 Expenses					
(a) Finance costs	3.9	2,512	2,16,995	2,014	1,58,110
(b) Other expenses	3.10	42,785	36,96,457	2,09,780	1,64,65,552
Total Expenses		45,297	39,13,452	2,11,794	1,66,23,662
3 Profit before tax (1) - (2)		9,20,905	7,95,62,059	(2,11,794)	(1,66,23,662)
4 Tax expenses					
(a) Current tax		24,65,157	21,29,78,472	49,03,292	38,48,59,263
(b) Deferred tax		(21,60,212)	(18,66,32,596)	-13,21,627	-10,37,34,459
		3,04,945	2,63,45,876	35,81,665	28,11,24,804
5 Profit for the year (3) - (4)		6,15,960	5,32,16,183	(37,93,459)	(29,77,48,466)
6 Other comprehensive income					
(a) Items that will be reclassified to profit or loss					
(i) Foreign currency translation difference		(3,61,861)	(6,62,96,795)	70,171	(5,49,57,832)
Total of other comprehensive income for the year, net of tax		(3,61,861)	(6,62,96,795)	70,171	(5,49,57,832)
7 Total comprehensive income for the period (5) + (6)		2,54,099	(1,30,80,612)	(37,23,287)	(35,27,06,298)
8 Basic and diluted earnings per share	3.11	0.02	1.50	(0.11)	(8.37)

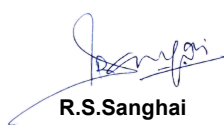
Significant Accounting Policies 1B & 2
Notes to the Financial Statements 3

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

For and on behalf of the Board of
S & B Holdings B.V.

James Giuliano


R.S.Sanghai
Partner
Membership number: 036931
Place : Mumbai
Dated : 17th May, 2021

James Giuliano
Management board member

S & B HOLDINGS B.V., NETHERLANDS
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH, 2021

EURO

(a) Equity share capital	As at 31st March, 2021		As at 31st March, 2020	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting year	3,55,90,552	3,55,90,552	3,55,90,552	3,55,90,552
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting year	3,55,90,552	3,55,90,552	3,55,90,552	3,55,90,552

Rs.

(a) Equity share capital	As at 31st March, 2021		As at 31st March, 2020	
	No. of Shares	Amount	No. of Shares	Amount
Balance at the beginning of the reporting year	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375
Changes in equity share capital during the year	-	-	-	-
Balance at the end of the reporting year	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375

Other Equity

EURO

Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2019	(1,32,51,258)	(6,59,682)	(1,39,10,940)
Total Comprehensive Income			
Profit for the year ended 31st March, 2020	(37,93,459)	-	(37,93,459)
Other Comprehensive Income	-	70,171	70,171
Balance on 31st March, 2020	(1,70,44,717)	(5,89,511)	(1,76,34,228)
Total Comprehensive Income	-	-	
Profit for the year ended 31st March, 2021	6,15,960	-	6,15,960
Other Comprehensive Income	-	(3,61,861)	(3,61,861)
Balance on 31st March, 2021	(1,64,28,757)	(9,51,372)	(1,73,80,129)

Other Equity

Rs.

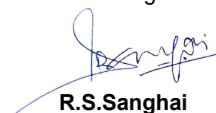
Particulars	Reserves and Surplus	Other comprehensive income	Total other equity
	Retained Earnings	Foreign Currency Translation Difference	
Balance at 1st April, 2019	(1,45,65,44,131)	(2,71,26,782)	(1,48,36,70,913)
Total Comprehensive Income			
Profit for the year ended 31st March, 2020	(29,77,48,466)	-	(29,77,48,466)
Other Comprehensive Income	-	(5,49,57,832)	(5,49,57,832)
Balance on 31st March, 2020	(1,75,42,92,597)	(8,20,84,614)	(1,83,63,77,211)
Total Comprehensive Income			
Profit for the year ended 31st March, 2021	5,32,16,183	-	5,32,16,183
Other Comprehensive Income	-	(6,62,96,795)	(6,62,96,795)
Balance on 31st March, 2021	(1,70,10,76,414)	(14,83,81,409)	(1,84,94,57,823)

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

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

Foreign currency translation difference reserve: This reserve is created as per IND AS 21 for the accounting of difference between presentation currency and functional currency i.e. Rupees and Euro respectively.

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 : 17th May, 2021

For and on behalf of the Board of
S & B Holdings B.V.


James Giuliano
Management board member

S & B HOLDINGS B.V., NETHERLANDS
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2021

Particulars	For the year ended 31st March, 2021		For the year ended 31st March, 2020	
	EURO	Rs.	EURO	Rs.
A. Cash Flow from Operating activities				
Profit before Tax	9,20,905	7,95,62,059	(2,11,794)	(1,66,23,662)
Adjustments for :				
Interest Expense	2,512	2,16,995	2,014	1,58,110
Foreign Currency Translation Difference	(9,66,202)	(8,34,75,511)	1,83,676	1,44,16,687
Operating Profit before Working Capital Changes	(42,785)	(36,96,457)	(26,105)	(20,48,865)
Adjustments for :				
Other current assets	5,230	4,51,876	5,603	4,39,798
Other financial liability	45,64,033	39,43,11,930	19,12,762	15,01,32,660
Cash (used in) / Generated from Operations before tax	45,26,478	39,10,67,349	18,92,261	14,85,23,593
Tax Paid	(45,43,758)	(39,25,60,224)	(19,11,708)	(15,00,49,898)
Net cash (used in) /generated from operating activities	(17,280)	(14,92,875)	(19,447)	(15,26,305)
B. Cash Flow from Investing activities				
Net cash (used in) /generated from Investing activities	-	-	-	-
C. Cash Flow from Financing activities				
Interest Expense	(2,512)	(1,97,139)	(2,014)	(1,58,110)
Net cash (used in) /generated from Financing activities	(2,512)	(1,97,139)	(2,014)	(1,58,110)
Net Increase/(decrease) in cash and cash equivalents (A + B + C)	(19,792)	(16,90,014)	(21,461)	(16,84,415)
Cash and Cash Equivalents at the beginning of the year	45,002	37,36,957	66,463	51,67,639
Cash and Cash Equivalents at the end of the year	25,209	20,46,943	45,002	34,83,224

Notes :

1) Cash and Cash Equivalents include :

Particulars	As at 31st March, 2021		As at 31st March, 2020	
	EURO	Rs.	EURO	Rs.
Cash and Bank balances (Refer Note 3.3)	25,209	21,67,012	45,002	37,36,957
Exchange difference (Unrealised (Gain) / Loss)	-	(1,20,069)	-	(2,53,733)
Total	25,209	20,46,943	45,002	34,83,224

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 : 17th May, 2021

For and on behalf of the Board of

S & B Holdings B.V.



James Giuliano

Management board member

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:

a) Statement of compliance

The financial statements for the year ended 31st March, 2021 have been prepared in accordance with Ind AS.

The Financial statement are prepared in INR which is its presentation currency and its functional currency.

b) Basis of preparation and presentation

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 be 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.

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 group's operations. Such changes are evident to external parties. A change in the business model occurs when the group either begins or ceases to perform an activity that is significant to its operations. If the group 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 group 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 amortized 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 initial at fair value and, in the case of loans and borrowings and payables, net of directly

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 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.

1.4 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 currency of the Company is INR.

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.

ii. Foreign Operations:

The assets and liabilities of foreign operations, and fair value adjustments arising on acquisition, are translated into Indian Rupees at the exchange rates at the reporting date.

The income and expenses of foreign operations are translated into Rs. at the exchange rates at the dates of the transactions or an average rate if the average rate approximates the actual rate at the date of the transaction.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve.

When a foreign operation is disposed of in its entirety or partially, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

1.5 Taxes on Income:

Income tax expense represents the sum of the current tax and deferred tax.

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Profit and Loss because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Company's liability for current tax is calculated using Indian tax rates and laws that have been enacted by the reporting date.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is the tax expected to be payable or recoverable in the future arising from temporary differences between the carrying amounts of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset shall be recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred income tax assets and liabilities are off-set against each other and the resultant net amount is presented in the Balance Sheet, if and only when the Company currently has a legally enforceable right to set-off the current income tax assets and liabilities

1.6 Provision, Contingent Liabilities and Contingent Assets:

A provision is recognised if as a result of a past event, the Company 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.

1.7 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.

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

The Company prepares its financial statements in accordance with Ind AS issued by the MCA, the application of which often requires judgements to be made by management when formulating the Company's financial position and results. The Directors are required to adopt those accounting policies most appropriate to the Company'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 Company 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 Company's disclosure of significant accounting policies which are provided in Note 1B to the financial statements, 'Significant accounting policies'.

a. Estimate of current and deferred tax

The Company's tax charge on ordinary activities is the sum of the total current and deferred tax charges. The calculation of the Company's total tax charge necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority or, as appropriate, through a formal legal process. The final resolution of some of these items may give rise to material profits/losses and/or cash flows.

The complexity of the Company's structure makes the degree of estimation and judgement more challenging. The resolution of issues is not always within the control of the Company and it is often dependent on the efficiency of the legal processes in the relevant taxing jurisdictions in which the Company operates. Issues can, and often do, take many years to resolve. Payments in respect of tax liabilities for an accounting period result from payments on account and on the final resolution of open items. As a result there can be substantial differences between the tax charge in the Consolidated Statement of Profit and Loss and tax payments.

b. Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Particulars	As at	As at	As at	As at
	31st March, 2021	31st March, 2021	31st March, 2020	31st March, 2020
	EURO	Rs.	EURO	Rs.
3.1: INVESTMENT IN SUBSIDIARY:				
Investment in The Pharma Network LLC.	2,99,09,841	2,05,34,64,904	2,99,09,841	2,05,34,64,904
	2,99,09,841	2,05,34,64,904	2,99,09,841	2,05,34,64,904
3.2 : DEFERRED TAX ASSET:				
Opening Deferred Tax	62,47,957	51,88,32,889	48,56,159	37,75,77,048
Movement during the year (Net of OCI)	17,98,350	17,28,43,753	13,91,798	14,12,55,841
TOTAL	80,46,307	69,16,76,642	62,47,957	51,88,32,889
3.3 : CASH AND CASH EQUIVALENTS:				
Balance with Banks:				
In Current Accounts	25,209	21,67,012	45,002	37,36,957
TOTAL	25,209	21,67,012	45,002	37,36,957
3.4 : OTHER CURRENT ASSETS:				
Prepaid Expenses	-	-	5,229	4,34,245
TOTAL	-	-	5,229	4,34,245
3.5 : EQUITY SHARE CAPITAL:				
Authorised:				
3,55,90,552 equity shares of Euro.1/- each fully paid up	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375
	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375
ISSUED, SUBSCRIBED & PAID-UP :				
35,590,552 equity shares of Euro.1/- each fully paid up	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375
(Previous Year 35,590,552 equity shares of Euro.1/- each fully paid up)				
TOTAL	3,55,90,552	2,89,72,17,375	3,55,90,552	2,89,72,17,375

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

Particulars	As at		As at	
	31st March, 2021		31st March, 2020	
	Number	EURO	Number	EURO
At the commencement of the year	3,55,90,552	3,55,90,552	3,55,90,552	3,55,90,552
At the end of the year	3,55,90,552	3,55,90,552	3,55,90,552	3,55,90,552

(b) Details of shareholders holding more than 5% shares in the Company:

Name of the shareholders:	As at 31st March, 2021		As at 31st March, 2020	
	Number of Shares	Percentage of Holding	Number of Shares	Percentage of Holding
Alkem Laboratories Limited	3,55,90,552	100.00%	3,55,90,552	100.00%

Particulars	As at	As at	As at	As at
	31st March, 2021	31st March, 2021	31st March, 2020	31st March, 2020
	EURO	Rs.	EURO	Rs.
OTHER EQUITY				
Retained Earnings:				
At the commencement of the year	(1,70,44,717)	(1,75,42,92,597)	(1,32,51,258)	(1,45,65,44,131)
Add: Profit for the year	6,15,960	5,32,16,183	(37,93,459)	(29,77,48,466)
At the end of the year	(1,64,28,757)	(1,70,10,76,414)	(1,70,44,717)	(1,75,42,92,597)
Other Comprehensive Income:				
At the commencement of the year	(5,89,511)	(8,20,84,614)	(6,59,682)	(2,71,26,782)
Add: Profit for the year	(3,61,861)	(6,62,96,795)	70,171	(5,49,57,832)
At the end of the year	(9,51,372)	(14,83,81,409)	(5,89,511)	(8,20,84,614)
TOTAL	(1,73,80,129)	(1,84,94,57,823)	(1,76,34,227)	(1,83,63,77,211)
3.6 : OTHER CURRENT FINANCIAL LIABILITIES:				
Others payables	22,279	19,15,158	1,006	83,576
Payable to TPN	1,93,50,942	1,66,34,45,711	1,57,74,385	1,30,99,11,235
(Note : Due to related parties EURO 19,350,942 Rs.1,663,445,711 (Previous year EURO 15,774,385 Rs.1,309,911,235)				
TOTAL	1,93,73,222	1,66,53,60,869	1,57,75,391	1,30,99,94,811
3.7 : CURRENT TAX LIABILITIES (Net):				
Income Tax (Net of Advance Tax)	3,97,712	3,41,88,137	24,76,313	20,56,34,020
TOTAL	3,97,712	3,41,88,137	24,76,313	20,56,34,020

Particulars	For the Year ended	For the Year ended	For the Year ended	For the Year ended
	31st March, 2021	31st March, 2021	31st March, 2020	31st March, 2020
	EURO	Rs.	EURO	Rs.
3.8: OTHER INCOME:				
Net gain/loss on foreign currency transactions	9,66,202	8,34,75,511	-	-
TOTAL	9,66,202	8,34,75,511	-	-
3.9 : FINANCE COST:				
Other borrowing cost	2,512	2,16,995	2,014	1,58,110
TOTAL	2,512	2,16,995	2,014	1,58,110
3.10 : OTHER EXPENSES:				
Legal and professional Fees	42,785	36,96,457	26,104	20,48,865
Net gain/loss on foreign currency transactions and translation	-	-	1,83,676	1,44,16,687
TOTAL	42,785	36,96,457	2,09,780	1,64,65,552

3.11 Earnings per share (EPS)

Euro

Particulars			Year ended 31st March, 2021	Year ended 31st March, 2020
Profit /(loss) after tax attributable to equity shareholders	Euro	A	6,15,960	(37,93,459)
Weighted average number of equity shares outstanding during the year	Nos.	B	3,55,90,552	3,55,90,552
Basic and diluted earnings per equity share	Euro	(A / B)	0.02	(0.11)

Rs.

Particulars			Year ended 31st March, 2021	Year ended 31st March, 2020
Profit /(loss) after tax attributable to equity shareholders	Rs.	A	5,32,16,183	(29,77,48,466)
Weighted average number of equity shares outstanding during the year	Nos.	B	3,55,90,552	3,55,90,552
Basic and diluted earnings per equity share	Rs.	(A / B)	1.50	(8.37)

3.12 Average exchange rate as on 31st March, 2021 considered for the purpose of translation as referred in note no. 1.4 is **Rs. 86.3955/1Euro** (March 2020 Rs. 78.4899/1Euro)

Closing exchange rate as on 31st March, 2021 considered for the purpose of translation as referred in note no. 1.4 is **Rs. 85.9620/1Euro** (March 2020 Rs. 83.0404/1Euro)

3.13 Information on related party transactions as required by Indian Accounting Standard 24 (Ind AS 24) on related party disclosures for the financial year ended 31st March, 2021

List of related parties and their relationship

A Company whose control exists

Name of the Company	Country of Incorporation
Alkem Laboratories Limited	India

B Wholly Owned Subsidiaries and Stepdown Subsidiaries

Name of the Companies	Country of Incorporation
ThePharmaNetwork, LLC	United States of America
Ascend Laboratories, LLC (Wholly owned by ThePharmaNetwork, LLC)	United States of America
S & B Pharma, LLC (wholly owned by The PharmaNetwork, LLC) (w.e.f. 8th April, 2020)	United States of America

C Fellow Subsidiaries

Name of the Companies	Country of Incorporation
Cachet Pharmaceuticals Pvt. Ltd	India
Indchemie Health Specialities Pvt. Ltd.	India
Enzene Biosciences Ltd.	India
Connect 2 Clinic India Private Limited (w.e.f. 12th June, 2020)	India
Alkem Foundation	India
S & B Pharma Inc.	United States of America
Ascend Laboratories (UK) Ltd.	United Kingdom
Pharmacor Pty Limited	Australia
Ascend Laboratories (PTY) Limited (formerly known as Alkem Laboratories (PTY)	South Africa
Ascend Laboratories Ltd.	Canada
The Pharma Network, LLP	Kazakhstan
Ascend Laboratories SpA	Chile
Pharma Network SpA (Wholly owned by Ascend Laboratories SpA)	Chile
Alkem Laboratories Corporation	Philippines
Ascend GmbH (formerly known as Alkem Pharma GmbH)	Germany
Ascend Laboratories SDN BHD.	Malaysia
Alkem Laboratories Korea Inc	Korea
Pharmacor Ltd.	Kenya
Ascend Laboratories SAS (w.e.f. 4th June, 2019)	Colombia

D Key Managerial Personnel ("KMP")

Name of the KMP	Designation
Mr. Manish Narang (Retired from 30th March, 2020)	Management board member A
Mr. James Gregory Giuliano (Appointed from 30th March, 2020)	Management board member A
Trust International Management (T.I.M.) B V	Management board member B

Details of Transactions with Related Parties

Sr. No.	Particulars	Subsidiaries / Fellow subsidiaries	
		EURO	Rs.
1	Tax paid by The Pharma Network LLC on behalf of the Company	45,43,758 (18,97,979)	39,25,60,202 (15,76,08,894)

Balance due from / to the related Parties

Sr. No.	Particulars	Subsidiaries / Fellow subsidiaries	
		EURO	Rs.
1	Other payable to The Pharma Network LLC	1,93,50,942 (1,57,74,385)	1,66,34,45,711 (1,30,99,11,235)

* 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.

3.14 Financial instrument fair values and risk management

A. Accounting classification and fair values

Particulars	As at 31st March, 2021							
	Carrying amount (EURO)				Carrying amount (Rs.)			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	25,209	25,209	-	-	21,67,012	21,67,012
Non-current investments	-	-	2,99,09,841	2,99,09,841	-	-	2,05,34,64,904	2,05,34,64,904
	-	-	2,99,35,050	2,99,35,050	-	-	2,05,56,31,917	2,05,56,31,917
Financial liabilities								
Other financial liabilities	-	-	1,93,73,222	1,93,73,222	-	-	1,66,53,60,869	1,66,53,60,869
	-	-	1,93,73,222	1,93,73,222	-	-	1,66,53,60,869	1,66,53,60,869

Particulars	As at 31st March, 2020							
	Carrying amount (EURO)				Carrying amount (Rs.)			
	FVTPL	FVTOCI	Amortised Cost	Total	FVTPL	FVTOCI	Amortised Cost	Total
Financial assets								
Cash and Cash Equivalents	-	-	45,002	45,002	-	-	37,36,957	37,36,957
Non-current investments	-	-	2,99,09,841	2,99,09,841	-	-	2,05,34,64,904	2,05,34,64,904
	-	-	2,99,54,842	2,99,54,842	-	-	2,05,72,01,861	2,05,72,01,861
Financial liabilities								
Other financial liabilities	-	-	1,57,75,391	1,57,75,391	-	-	1,30,99,94,811	1,30,99,94,811
	-	-	1,57,75,391	1,57,75,391	-	-	1,30,99,94,811	1,30,99,94,811

The Company 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 has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities

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 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.

ii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. Market risk is attributable to all market risk sensitive financial instruments including foreign currency receivables and payables and long term debt. We are exposed to market risk primarily related to foreign exchange rate risk. Thus, our exposure to market risk is a function of investing and borrowing activities and revenue generating and operating activities in foreign currency. The objective of market risk management is to avoid excessive exposure in our foreign currency revenues and costs.

Currency risk

The Company is exposed to currency risk on account of its borrowings, other payables, receivables and loans and advances in foreign currency. The functional currency of the Company is INR. The Company has exposure to EURO and USD. The Company has not hedged this foreign currency exposure.

3.14 Financial instrument fair values and risk management

Exposure to currency risk

The currency profile of financial assets and financial liabilities as at 31st March 2021 and 31st March, 2020 are as below:

	As at 31st March, 2021 USD	As at 31st March, 2021 EURO	As at 31st March, 2020 USD	As at 31st March, 2020 EURO
Financial assets				
Cash and Cash Equivalents	17,566	10,245	19,036	27,789
	17,566	10,245	19,036	27,789
Financial liabilities				
Other financial liabilities	2,27,16,106	1,93,50,942	1,74,45,102	1,57,74,385
	2,27,16,106	1,93,50,942	1,74,45,102	1,57,74,385

The following significant exchange rates have been applied during the year.

Rs.	Average rate		Year-end spot rate	
	As at 31st March, 2021	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2020
EURO	86.40	78.49	85.96	83.04
USD	74.02	70.69	73.24	75.10

Sensitivity analysis

A reasonably possible strengthening (weakening) of the Indian Rupee against various foreign currencies at 31st March, 2021 would have affected the measurement of financial instruments denominated in foreign currencies and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

Effect in INR	Profit or loss		Equity, (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
31st March 2021				
10% movement				
USD	16,62,35,258	(16,62,35,258)	16,62,35,258	(16,62,35,258)
EURO	16,62,56,501	(16,62,56,501)	16,62,56,501	(16,62,56,501)
	33,24,91,759	-33,24,91,759	33,24,91,759	-33,24,91,759

Effect in INR	Profit or loss		Equity, (net of tax)	
	Strengthening	Weakening	Strengthening	Weakening
31st March 2020				
10% movement				
USD	(13,08,73,416)	13,08,73,416	(13,08,73,416)	13,08,73,416
EURO	2,30,757	(2,30,757)	2,30,757	(2,30,757)
	(13,06,42,659)	13,06,42,659	(13,06,42,659)	13,06,42,659

iii. Credit risk

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

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

Cash and cash equivalents

The Company held cash and cash equivalents of **EURO 25,209 Rs. 2,167,012 at 31st March, 2021** (31st March, 2020: EURO 45,002 Rs. 3,736,957)

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 of

S & B Holdings B.V.

James Giuliano

James Giuliano

Management board member

R.S.Sanghai

Partner

Membership number: 036931

Place : Mumbai

Dated : 17th May, 2021