

Zydus Noveltech Inc.
Balance Sheet as at December 31, 2015

Particulars	Note No.	USD-Thousands		INR-Thousands	
		As at December 31			
		2015	2014	2015	2014
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	5,000	5,000	332,100	315,300
Reserves and Surplus	2	(3,951)	(3,552)	(262,426)	(223,989)
		1,049	1,448	69,674	91,311
Current Liabilities:					
Short Term Borrowings	3	17,300	14,000	1,149,066	882,840
Trade Payables	4	268	207	17,801	13,053
Other Current Liabilities	5	546	82	36,265	5,171
Short Term Provisions	6	150	150	9,963	9,459
		18,264	14,439	1,213,095	910,523
Total		19,313	15,887	1,282,769	1,001,834
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets					
Capital work-in-progress	7	6	11	398	693
		16	16	1,063	1,009
		22	27	1,461	1,702
Non-Current Investments					
Long Term Loans and Advances	8	100	100	6,642	6,306
	9	17,238	12,877	1,144,948	812,024
		17,360	13,004	1,153,051	820,032
Current Assets:					
Trade Receivables	10	900	847	59,778	53,412
Cash and Bank Balances	11	982	1,964	65,224	123,850
Short Term Loans and Advances	12	5	8	332	504
Other Current Assets	13	66	64	4,384	4,036
		1,953	2,883	129,718	181,802
Total		19,313	15,887	1,282,769	1,001,834
Significant Accounting Policies					
Notes to the Financial Statements					
	II 1 to 23				

Statement of Profit and Loss for the year ended December 31, 2015

Particulars	Note No.	USD-Thousands		INR-Thousands	
		Year ended December 31			
		2015	2014	2015	2014
REVENUE:					
Revenue from Operations:					
Sale of Service	14	2,169	2,646	139,120	161,485
Other Income		1	1	64	61
Total Revenue		2,170	2,647	139,184	161,546
EXPENSES:					
Employee Benefits Expense	15	1,406	1,406	90,181	85,808
Finance Costs	16	2	1	128	61
Depreciation and Impairment expenses	7	5	12	321	732
Other Expenses	17	1,156	1,551	74,146	94,657
Total Expenses		2,569	2,970	164,776	181,258
Loss for the year		(399)	(323)	(25,592)	(19,712)
		USD		INR	
Basic & Diluted Earning per Common Stock [EPS]	18	(399)	(323)	(25,592)	(19,712)
Significant Accounting Policies					
Notes to the Financial Statements					
	II 1 to 23				

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director

Zydus Noveltch Inc.

I-Company overview:

Zydus Noveltch Inc. [the "Company"], a New Jersey, U.S.A, corporation formed on June 18, 2007 is a development stage pharmaceutical company, which planning to engage in the sales and distribution of non-oral dosage form generic and brand name drugs in North America, Western Europe and Japan. In addition, Zydus Noveltch also provides technical and other services in support of drug development and manufacturing operations, as well as, business development services.

II-Significant Accounting Policies:

1 Reporting Currency Translations:

The Local accounts are maintained in local and functional currency which is "United States Dollar[USD]". These accounts have been translated in Indian Rupees considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to Indian Rupee [INR] from "USD" is performed for assets and liabilities using the exchange rates prevailing on the Balance sheet dates and for revenues and expenses items using the average exchange rates for the respective periods. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

2 Basis of presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

3 Property and Equipment:

Property and equipment are stated at cost. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. The cost of improvements that extend the lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives used range from three to seven years.

4 Impairment of Long-lived Assets:

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, the Company compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment has occurred, the loss would be recognized during that year. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. As a result of its review, the Company does not believe that any material impairment currently exists related to its long-lived assets.

5 Investments:

Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

6 Income Taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred tax assets and liabilities to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

7 New Accounting Pronouncements:

Management does not expect the issuance of any recent accounting pronouncements to have a material effect on the financial condition or result of operation of the Company.

8 Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9 Retirement Plan:

The Company has a 401(K) retirement plan that covers all employees. Employees may contribute a portion of their pre-tax salary. The Company makes a Safe Harbor contribution to the plan for all employees, and also Profit Sharing contribution for certain employees.

10 Revenue Recognition:

- A Service income is recognised as per the terms of contracts with the customers when the related services are performed or the agreed milestones are achieved.
- B Interest income is recognised on time proportionate method.
- C Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

11 Borrowing Costs:

- A Borrowing costs that are directly attributable to the acquisition/ construction of a qualifying asset are capitalised as part of the cost of such assets, up to the date the assets are ready for their intended use.
- B Other borrowing costs are recognised as an expense in the year in which they are incurred.

12 Provisions, Contingent Liabilities and Contingent Assets:

Provision is recognised when the Company has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible obligation, that may, but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision/ disclosure is made. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

Zydus Noveltch Inc.
Notes to the Financial Statements

	USD-Thousands		INR-Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Authorised:				
1,500 [as at December 31, 2014: 1,500] Common Stock, no par value	5,000	5,000	332,100	315,300
	5,000	5,000	332,100	315,300
Issued, Subscribed and Paid-up:				
1,000 [As at December 31, 2014: 1,000] Common Stock, no par value	5,000	5,000	332,100	315,300
	5,000	5,000	332,100	315,300
A There is no change in the number of stocks as at the beginning and end of the year Number of stocks at the beginning and end of the year	1,000	1,000		
B The Company has only Common Stock. All common stock rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the stock holders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Details of Stock Holders holding more than 5% of Common Stock:				
Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate Holding Company, a company incorporated in India.				
Number of Stock	850	850		
% to total stock holding	85.00%	85.00%		
Mr. Sharad Govil				
Number of Stock	150	150		
% to total stock holding	15.00%	15.00%		
Note: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet	-	-	(10,729)	-
[Less]: Exchange Rate differences on translation to INR	-	-	(2,116)	(10,729)
	-	-	(12,845)	(10,729)
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(3,552)	(3,229)	(223,989)	(193,548)
Add: Loss for the year	(399)	(323)	(25,592)	(19,712)
Balance as at the end of year	(3,951)	(3,552)	(249,581)	(213,260)
Total	(3,951)	(3,552)	(262,426)	(223,989)
Note: 3-Short Term Borrowings:				
Loan from a Bank [Secured] [*]	17,300	14,000	1,149,066	882,840
Total	17,300	14,000	1,149,066	882,840
[*] Loan from Bank of America [BOA] and Citi Bank [Citi]: Secured by corporate guarantee of Cadila Healthcare Limited. The interest on loan is payable at the rate of Daily LIBOR plus 100 bps for BOA and 0.8605% for Citi.				
Note: 4-Trade Payables:				
Trade Payables	268	207	17,801	13,053
Total	268	207	17,801	13,053
Note: 5-Other Current Liabilities:				
Others:				
Provision for Expenses	546	82	36,265	5,171
Advances from Debtors	-	-	-	-
Total	546	82	36,265	5,171
Note: 6-Short Term Provisions:				
Provision for Employee Benefits	150	150	9,963	9,459
Total	150	150	9,963	9,459

Zydus Noveltch Inc.
Notes to the Financial Statements

Note: 7-Fixed Assets:

	USD-Thousands				INR -Thousands			
	Leasehold Land	Plant and Equipment	Furniture and Fixtures	Total	Leasehold Land	Plant and Equipment	Furniture and Fixtures	Total
A Tangible Assets:								
Gross Block:								
As at December 31, 2013	10	86	91	187	599	5,155	5,455	11209
Additions	-	-	-	-	-	-	-	0
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	32	269	284	585
As at December 31, 2014	10	86	91	187	631	5,423	5,738	11,792
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	33	289	306	628
As at December 31, 2015	10	86	91	187	664	5,712	6,044	12,420
Depreciation and Impairment:								
As at December 31, 2013	10	71	83	164	599	4,256	4,975	9,830
Charge for the year	-	6	6	12	-	366	366	732
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	32	235	272	539
As at December 31, 2014	10	77	89	176	631	4,856	5,612	11,099
Charge for the year	-	4	1	5	-	257	64	321
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	33	267	302	602
As at December 31, 2015	10	81	90	181	664	5,380	5,978	12,022
Net Block:								
As at December 31, 2014	-	9	2	11	-	567	126	693
As at December 31, 2015	-	5	1	6	-	332	66	398

Note: Other adjustments include adjustments on account of exchange rate translation differences.

	USD-Thousands		INR-Thousands	
	As at December 31			
	2015	2014	2015	2014

Note: 8-Non-Current Investments:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
Long Term Investments :				
Trade Investments:				
Investment in fully paid Common Stock of a subsidiary company [Unquoted]:				
Hercon Pharmaceuticals LLC [Sole member] [Refer Note - 22]	100	100	6,642	6,306
Total	100	100	6,642	6,306

Note: 9-Long Term Loans and Advances:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
Rent Deposit	11	11	731	694
Unsecured Loans and Advances to a related party - Hercon Pharmaceuticals LLC, a subsidiary company [Interest bearing loan] [Refer Note - 22]	17,227	12,866	1,144,217	811,330
Total	17,238	12,877	1,144,948	812,024

Note: 10-Trade Receivables:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
Others- Considered good [Unsecured]	900	847	59,778	53,412
Total	900	847	59,778	53,412

Note: 11-Cash and Bank Balances:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
Balances with Banks [*]	982	1,964	65,224	123,850
Total	982	1,964	65,224	123,850
[*] include to the extent held as margin money deposits against guarantee	308	393	20,457	24,783

Note: 12-Short Term Loans and Advances:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
[Unsecured, Considered Good]				
Advances recoverable in cash or in kind or for value to be received	5	8	332	504
Total	5	8	332	504

Note: 13-Other Current Assets:

	USD-Thousands	INR-Thousands	USD-Thousands	INR-Thousands
	2015	2014	2015	2014
Prepaid Expenses	66	64	4,384	4,036
Total	66	64	4,384	4,036

Zydus Novelteltech Inc.
Notes to the Financial Statements

	USD-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 14-Other Income:				
Interest Income [Gross]:				
From Others [Other than long term/ current investments]	1	1	64	61
Total	1	1	64	61
Note: 15-Employee Benefits Expense:				
Salaries and wages	1,267	1,265	81,265	77,203
Contribution to provident and other funds	40	38	2,566	2,319
Staff welfare expenses	99	103	6,350	6,286
Total	1,406	1,406	90,181	85,808
Note: 16-Finance Costs:				
Bank commission & charges	2	1	128	61
Total	2	1	128	61
Note: 17-Other Expenses:				
Rent	66	60	4,233	3,662
Insurance	11	14	706	854
Traveling Expenses	185	204	11,866	12,450
Exchange Rate difference due to translation [Refer Note2 (*)]	-	-	-	-
Legal and Professional Fees	815	1,225	52,274	74,762
Miscellaneous Expenses	79	48	5,067	2,929
Total	1,156	1,551	74,146	94,657
Note: 18-Calculation of Earnings per Common Stock [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are:				
A Loss attributable to Shareholders	(399)	(323)	(25,592)	(19,712)
B Basic and weighted average number of Common Stock outstanding during the year	1,000	1,000	1,000	1,000
	USD		INR	
C Basic & Diluted EPS	(399)	(323)	(25,592)	(19,712)
Note: 19-Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:		Zydus International Private Limited		
b Ultimate Holding Company:		Cadila Healthcare Limited		
c Subsidiary Company:		Hercon Pharmaceuticals LLC [USA]		
d Fellow Subsidiaries:				
Dialforhealth India Limited		Zydus Pharmaceuticals (USA) Inc. [USA]		
Dialforhealth Unity Limited		Nesher Pharmaceuticals (USA) LLC [USA]		
Dialforhealth Greencross Limited		Zydus France, SAS [France]		
German Remedies Limited		Etna Biotech S.R.L. [Italy]		
Zydus Wellness Limited		Zydus Pharmaceuticals Mexico SA De CV [Mexico]		
Liva Pharmaceuticals Limited		Zydus Pharmaceuticals Mexico Services Company SA De CV [Mexico]		
Zydus Technologies Limited		Simayla Pharmaceuticals (Pty) Ltd [South Africa]		
Biochem Pharmaceutical Industries Limited		Script Management Services (Pty) Ltd [South Africa]		
Alidac Pharmaceuticals Limited [Earlier Zydus BSV Pharma Private Limited]		ZAHL B.V. [the Netherlands]		
M/s. Zydus Wellness-Sikkim, a Partnership Firm		ZAHL Europe B.V. [the Netherlands]		
M/s. Zydus Healthcare, a Partnership Firm		Bremer Pharma GmbH [Germany]		
Zydus Lanka (Private) Limited [Sri Lanka]		Zydus Nikkho Farmaceutica Ltda. [Brazil]		
Zydus Healthcare S.A. (Pty) Ltd [South Africa]		Zydus Netherlands B.V. [the Netherlands]		
Zydus Healthcare (USA) LLC [USA]		Zydus Healthcare Philippines Inc. [Philippines]		
Laboratorios Combix S.L. [Spain]		Zydus Worldwide DMCC [Dubai]		
Zydus Pharma Japan Co. Ltd. [Japan]		Zydus Discovery DMCC [Dubai]		
e Directors:				
Mr. Prashant Desai	Mr. Ravi Yadavar	Mr. Sharad Govil		

Zydus Noveltch Inc.
Notes to the Financial Statements

Note: 19-Related Party Transactions-Continued:

B Transactions with Related Parties:

The following transactions were carried out with the related parties in the ordinary course of business:

- a Details relating to parties referred to in items 19 - A [c & d]

Nature of Transactions	Value of the Transactions [USD-Thousands]			
	Subsidiary Company		Fellow subsidiary	
	Year ended December 31			
	2015	2014	2015	2014
Purchase:				
Reimbursement of expenses paid:				
Hercon Pharmaceuticals LLC	37	14		
Sales:				
Services:				
Zydus Technologies Limited			2,169	2,646
Reimbursement of expenses received:				
Zydus Technologies Limited			-	1
Hercon Pharmaceuticals LLC	336	230		
Finance:				
Inter corporate loan given:				
Hercon Pharmaceuticals LLC	4,361	3,472		
Inter corporate loan accepted:				
Zydus Pharmaceuticals (USA) Inc.			500	3,500
Inter corporate loan repaid:				
Zydus Pharmaceuticals (USA) Inc.			500	3,500
			As at December 31	
	2015	2014	2015	2014
Outstanding:				
Receivable:				
Hercon Pharmaceuticals LLC	17,257	12,922		
Zydus Technologies limited			867	791

Nature of Transactions	Value of the Transactions [INR-Thousands]			
	Subsidiary Company		Fellow subsidiary	
	Year ended December 31			
	2015	2014	2015	2014
Purchase:				
Reimbursement of expenses paid:				
Hercon Pharmaceuticals LLC	2,373	854		
Sales:				
Services:				
Zydus Technologies Limited			139,120	161,485
Reimbursement of expenses received:				
Zydus Technologies Limited			-	61
Hercon Pharmaceuticals LLC	21,551	14,037		
Finance:				
Inter corporate loan given:				
Hercon Pharmaceuticals LLC	289,658	218,944		
Inter corporate loan accepted:				
Zydus Pharmaceuticals (USA) Inc.			33,210	220,710
Inter corporate loan repaid:				
Zydus Pharmaceuticals (USA) Inc.			33,210	220,710
			As at December 31	
	2015	2014	2015	2014
Outstanding:				
Receivable:				
Hercon Pharmaceuticals LLC	1,146,210	814,861		
Zydus Technologies limited			57,586	49,880

Zydus Noveltch Inc.
Notes to the Financial Statements

Note: 19-Related Party Transactions-Continued:

b Details relating to persons referred to in item 19-A [e] above :

	<u>USD-Thousands</u>		<u>INR-Thousands</u>	
	<u>As at December 31</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Outstanding:				
Receivable:				
Mr. Sharad Govil	5	8	332	473

b There are no transactions with persons referred to in item 19-A [a & b] above.

Note: 20-Segment Information:

There is only one segment, namely "Pharmaceuticals".

Note: 21-Operating Lease:

The Company has entered into an Operating Lease for its office and equipments, lease expiring through 2016. The future minimum rental payments under the lease agreement for the year ended December 31, 2015 and 2014 are as under:

	USD-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Year				
2015	-	14	-	854
2016	12	1	770	61
Total Commitments	12	15	770	915
Lease payments recognised in the Statement of Profit and Loss	66	60	4,233	3,662

Note: 22

The Company has investment in Hercon Pharmaceuticals LLC, a subsidiary company of the Company. The accumulated losses as at December 31, 2015 amounting to USD 11,684 [as at December 31, 2014: USD 7,432] Thousands has exceeded the net worth of the said Company. However considering long term strategic nature of investment, investments and long term loans and advances granted to the said entity are considered good and accordingly no provision for the same has been made.

Note: 23

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 23 to the Financial Statements

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director

Zydus Noveltch Inc.
Cash Flow Statement for the year ended December 31, 2015

Particulars	USD-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
A Cash flows from operating activities:				
Loss before tax	(399)	(323)	(25,592)	(19,712)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	5	12	321	732
Interest income	1	1	64	61
Total	6	13	385	793
Operating profit before working capital changes	(393)	(310)	(25,207)	(18,919)
Adjustments for:				
Decrease/ [Increase] in trade receivables	(53)	(1,151)	(3,399)	(70,246)
Decrease/ [Increase] in short term advances	3	2	192	122
Decrease/ [Increase] in other current assets	(2)	(3)	(128)	(183)
Increase/ [Decrease] in trade payables	61	(111)	3,913	(6,774)
Increase/ [Decrease] in other current liabilities	464	-	29,761	-
Total	473	(1,263)	30,339	(77,081)
Net cash from [used] operating activities	80	(1,573)	5,132	(96,000)
B Cash flows from investing activities:				
Purchase of fixed assets	-	(7)	-	(427)
Advances to a subsidiary	(4,361)	(3,472)	(279,715)	(211,896)
Interest received	(1)	(1)	(64)	(61)
Dividend received	-	-	-	-
Net cash used [from] in investing activities	(4,362)	(3,480)	(279,779)	(212,384)
C Cash flows from financing activities:				
Short Term Borrowings [Net]	3,300	6,000	211,662	366,180
Net cash used [from] in financing activities	3,300	6,000	211,662	366,180
Net increase in cash and cash equivalents	(982)	947	(62,985)	57,796
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	4,359	5,095
Cash and cash equivalents at the beginning of the year	1,964	1,017	123,850	60,959
Cash and cash equivalents at the end of the year	982	1,964	65,224	123,850

Notes to the Cash Flow Statement

- All figures in brackets are outflows.
- Previous year's figures have been regrouped wherever necessary.
- Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR"

As per our report of even date
For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Director