

Zydus Discovery DMCC
Balance Sheet as at March 31, 2016

Particulars	Note No.	USD Thousands		INR Thousands	
		As at March 31			
		2016	2015	2016	2015
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	8,014	8,014	531,168	501,115
Reserves and Surplus	2	(653)	(166)	(43,298)	(10,397)
		7,361	7,848	487,870	490,718
Non-Current Liabilities:					
Long Term Borrowings	3	9,732	8,736	645,037	546,262
Long Term Provisions	4	15	1	994	63
		9,747	8,737	646,031	546,325
Current Liabilities:					
Trade Payables	5	1	496	66	31,015
Other Current Liabilities	6	162	92	10,737	5,753
		163	588	10,803	36,768
Total		17,271	17,173	1,144,704	1,073,811
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	7	449	457	29,741	28,557
Intangible Assets		16,600	16,600	1,100,248	1,037,998
Capital Work in Progress		127	-	8,418	-
		17,176	17,057	1,138,407	1,066,555
Long Term Loans and Advances	8	2	2	132	126
		17,178	17,059	1,138,539	1,066,681
Current Assets:					
Cash and Bank Balances	9	85	111	5,634	6,942
Short Term Loans and Advances	10	2	2	133	125
Other Current Assets	11	6	1	398	63
		93	114	6,165	7,130
Total		17,271	17,173	1,144,704	1,073,811
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 19				

Statement of Profit and Loss for the year ended March 31, 2016

Particulars	Note No.	USD Thousands		INR Thousands	
		Year ended March 31			
		2016	2015	2016	2015
REVENUE:					
Non Operating Revenue		-	-	-	-
Total Revenue		-	-	-	-
EXPENSES:					
Employee Benefits Expense	13	226	64	14,792	3,916
Finance Costs	14	187	38	12,239	2,325
Depreciation, Impairment and Amortisation expenses	7	10	7	654	446
Other Expenses	15	64	57	4,188	3,487
Total Expenses		487	166	31,873	10,174
Loss before Tax		(487)	(166)	(31,873)	(10,174)
Less : Tax Expenses		-	-	-	-
Loss for the year		(487)	(166)	(31,873)	(10,174)
Basic & Diluted Earning per Share [EPS]	16	(16.56)	(27.64)	(1,083.78)	(1,697.88)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 19				

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 Discovery DMCC

I-Company overview:

Zydus Discovery DMCC [the Company] is formed as a company with Limited Liability and under the provisions of law no. (4) of 2001 in respect of establishing Dubai Multi Commodities Center [DMCC] – Dubai [U.A.E] vide registration no. DMCC 00001, with Limited Liability. The company is engaged in the business of Pharmaceutical Research, Marketing Management and Studies and Trading in pharmaceutical products [outside UAE] [DMCC] vide License no. DMCC-061719 and DMCC-061720. The Company has not commenced commercial activities till the year ended 31st March 2016

II-Significant Accounting Policies:

1 Basis of Accounting:

The financial statements of the Company are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India.

The financial statements have been prepared and presented for the period starting from 1st April 2015 and ending on 31st March 2016, with comparative information of previous year starting from 15th June 2014 and ending 31st March 2015 as that year was being the first year of operations of the company.

2 Reporting Currency Translation:

Reporting currency of the Company is "USD". These accounts have been translated in Indian Rupees [INR] considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to INR from "USD" is performed for assets and liabilities using the exchange rate prevailing on the Balance sheet date and for revenue and expenses using the average exchange rate for the respective period. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

3 Foreign Currency [Currency other than company's functional currency] Transactions:

Foreign currency transactions are recorded in USD at the approximate rate of exchange prevailing on the date of transactions.

Foreign currency balances of monetary assets and liabilities are translated to USD at the rate of exchange prevailing at the date of the reporting date. Gains or losses on exchange are recognised in statement of profit and loss.

4 Fixed Assets and Depreciation:

a Fixed Assets are stated at historical cost less accumulated depreciation and impairment loss.

b Cost of each asset is depreciated over the estimated useful lives on straight line method, based on useful lives as below:

Assets	Useful life
Office Premises	60 Years
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Permanent Fixtures	30 Years
Computer and Laptop	3 Years
Servers and Networks	6 Years

c Tangible fixed assets are depreciated over the estimated useful life which is periodically reviewed to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefit. Residual value of tangible assets is estimated to be 5% of acquisition cost by the management.

d Repairs and renewals are recognised in profit or loss when the expenditure is incurred.

5 Impairment:

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment loss is recognised in statement of profit and loss.

6 Product Development:

Product development costs are recorded as capital work in progress till marketing authorisations for the linked product are received.

7 Employee benefits:

Provision is made for end of service benefits (gratuity) payable to employees in accordance with company regulations and are in line with UAE Laws. Provision is stated net of advance payments made against such entitlements. Provision is made for the estimated liability for annual leave and passage entitlement as a result of services rendered by employees up to the reporting date.

8 Borrowing Cost:

a Borrowing costs that are directly attributable to the acquisitions/ construction of qualifying asset are capitalised as part of 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.

9 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.

10 Going Concern:

The Financial Statements have been prepared on a going concern basis.

Zydus Discovery DMCC				
Notes to the Financial Statements				
	USD Thousands		INR Thousands	
	As at March 31			
	2016	2015	2016	2015
Note: 1-Share Capital:				
Authorised:				
29,410 [as at March 31, 2015: 29,410] Common Stock of AED 1000/- each	8,014	8,014	531,168	501,115
	8,014	8,014	531,168	501,115
Issued, Subscribed and Paid-up:				
29,410 [as at March 31, 2015: 29,410] Common Stock of AED 1000/- each fully paid-up	8,014	8,014	531,168	501,115
	8,014	8,014	531,168	501,115
A The reconciliation of the number of Shares outstanding is as under:				
Number of shares at the beginning	29,410			
Add: Shares issued during the period	0	29,410		
Number of shares at the end	29,410	29,410	0	0
B The Company has only Ordinary shares. All ordinary shares rank parri passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the Ordinary shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Ordinary shares of AED 1000/- each, fully paid held by Holding Company, Zydus Worldwide DMCC, a company incorporated in Dubai, which is wholly owned subsidiary of Cadila Healthcare Ltd., a company incorporated in India:				
Number of Shares	29,410	29,410		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet	-		(223)	-
Add/ [Less]: Exchange differences on translation to Indian Rupee	-		(1,028)	(223)
	-		(1,251)	(223)
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(166)	-	(10,174)	-
Less: (Loss) for the period	(487)	(166)	(31,873)	(10,174)
Balance as at the end of year	(653)	(166)	(42,047)	(10,174)
Total	(653)	(166)	(43,298)	(10,397)
Note: 3-Long Term Borrowings:				
Unsecured Loans [from related parties]	9,732	8,736	645,037	546,262
Total	9,732	8,736	645,037	546,262
Zydus International Private Limited				
The Loan is bearing interest of USD Libor plus 150 bps. The tenure of the loan shall be 3 years from the disbursement date, which can be further renewed on yearly basis. However the total tenure of the loan shall not exceed 5 years from the date of first disbursement.	8,600	8,600	570,008	537,758
Zydus Worldwide DMCC				
The Loan is bearing interest of USD Libor plus 125 bps. The tenure of the loan shall be 3 years from the disbursement date, which can be further renewed on yearly basis. However the total tenure of the loan shall not exceed 5 years from the date of first disbursement.	1,132	136	75,029	8,504
Note: 4-Long Term Provisions:				
Provision for Employee Benefits	15	1	994	63
Total	15	1	994	63
Note: 5-Trade Payables:				
Trade Payables	1	496	66	31,015
Total	1	496	66	31,015
Note: 6-Other Current Liabilities:				
Interest accrued but not due on borrowings	144	37	9,544	2,314
Other:				
Provision for Expenses	18	55	1,193	3,439
Total	162	92	10,737	5,753

Zydus Discovery DMCC

Notes to the Financial Statements

Note: 7-Fixed Assets:

	Tangible Assets				Intangible Assets	
	Office Premises	Furnitures, Fixtures	Office Equipment	Computers and Networks	Total	Licenses
	USD Thousands					
Gross Block:						
As at March 31, 2014						
Additions	417	34	11	2	464	16,600
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
As at March 31, 2015	417	34	11	2	464	16,600
Additions	-	-	-	2	2	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
As at March 31, 2016	417	34	11	4	466	16,600
Depreciation and Impairment:						
As at March 31, 2014					-	-
Additions	5	1	1	0	7	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
As at March 31, 2015	5	1	1	0	7	-
Additions	7	1	2	-	10	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-
As at March 31, 2016	12	2	3	0	17	-
Net Block:						
As at March 31, 2015	412	33	10	2	457	16,600
As at March 31, 2016	405	32	8	4	449	16,600
	INR Thousands					
Gross Block:						
As at March 31, 2014	-	-	-	-	-	-
Additions	25,516	2,080	673	122	28,391	1,015,754
Disposals	-	-	-	-	-	-
Other adjustments	559	46	15	3	623	22,244
As at March 31, 2015	26,075	2,126	688	125	29,014	1,037,998
Additions	-	-	-	131	131	-
Disposals	-	-	-	-	-	-
Other adjustments	1,564	128	41	9	1,742	62,250
As at March 31, 2016	27,639	2,254	729	265	30,887	1,100,248
Depreciation and Impairment:						
As at March 31, 2014	-	-	-	-	-	-
Additions	306	61	61	18	446	-
Disposals	-	-	-	-	-	-
Other adjustments	7	2	2	-	11	-
As at March 31, 2015	313	63	63	18	457	-
Additions	458	65	131	0	654	-
Disposals	0	0	0	0	-	-
Other adjustments	24	5	5	1	35	-
As at March 31, 2016	795	133	199	19	1,146	-
Net Block:						
As at March 31, 2015	25,762	2063	625	107	28,557	1,037,998
As at March 31, 2016	26,844	2,121	530	246	29,741	1,100,248

	USD Thousands		INR Thousands	
	As at March 31			
	2016	2015	2016	2015

Note : 8 - Long Term Loans and Advances:

[Unsecured, Considered Good]				
Security Deposits	1	1	66	63
Other Long term advances	1	1	66	63
Total	2	2	132	126

Note: 9 - Cash and Bank Balances:

Balance with Bank	84	110	5,568	6,879
Cash on Hand	1	1	66	63
Total	85	111	5,634	6,942

Note : 10 - Short Term Loans and Advances :

[Unsecured, Considered Good]				
Balances with Statutory authorities	2	2	133	125
Total	2	2	133	125

Note: 11-Other Current Assets:

Prepaid Expenses	6	1	398	63
Total	6	1	398	63

Note: 12-Contingent Liabilities and commitments [to the extent not provided for]:

Contingent Liabilities	NIL	NIL	NIL	NIL
Commitments:				
a Estimated amount of contracts remaining to be executed on capital account and not provided for	367	NIL	24,325	NIL

Zydus Discovery DMCC				
Notes to the Financial Statements				
	USD Thousands		INR Thousands	
	Year ended March 31			
	2016	2015	2016	2015
Note: 13-Employees Benefit Expense :				
Salaries and Wages	219	63	14,334	3,855
Gratuity	7	1	458	61
Total	226	64	14,792	3,916
Note: 14- Finance Cost:				
Interest on term loan- From Related Party	186	37	12,174	2,264
Bank Commission & Charges	1	1	65	61
Total	187	38	12,239	2,325
Note: 15-Other Expenses:				
Travelling expenses	4	1	262	61
Electricity Exps.	1	1	65	61
Insurance Exps	5	-	327	-
Cooling Charges	4	4	262	245
Visa Expenses	-	3	-	184
Legal and Professional Fees	29	1	1,898	61
Fees for Incorporation	-	18	-	1,101
Net Loss on foreign currency transactions and translation	-	16	-	979
Service charges - Maintenance charges	1	6	65	367
Director Sitting Fees	5	-	327	-
Miscellaneous Expenses [*]	15	7	982	428
Total	64	57	4,188	3,487
[*] Miscellaneous Expenses include Payment to the auditors as audit fees	2	2	131	122
Note: 16 -Calculation of Earnings per Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are:				
A Loss attributable to Shareholders	Thousands	(487)	(166)	(31,873)
B Basic and weighted average number of shares outstanding during period	Numbers	29,410	5,992	29,410
C Nominal value of share	AED	1,000	1,000	1,000
		USD	INR	
D Basic & Diluted EPS		(16.56)	(27.64)	(1,083.78)
Note: 17 -Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:				
Zydus Worldwide DMCC [Dubai]				
b Ultimate Holding Company:				
Cadila Healthcare Limited [India]				
c Fellow Subsidiaries/ Concerns:				
Dialforhealth India Limited	Zydus Pharmaceuticals (USA) Inc. [USA]			
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA]			
Dialforhealth Greencross Limited	Zydus Healthcare (USA) LLC [USA]			
German Remedies Limited	Zydus Noveltech Inc. [USA]			
Zydus Wellness Limited	Hercon Pharmaceuticals LLC [USA]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Zydus Healthcare S.A. (Pty) Ltd [South Africa]			
Liva Pharmaceuticals Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Zydus Technologies Limited	Script Management Services (Pty) Ltd [South Africa]			
Biochem Pharmaceutical Industries Limited	Zydus France, SAS [France]			
Alidac Pharmaceuticals Limited [Formerly known as Zydus BSV Pharma Private Limited]	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Zydus Lanka (Private) Limited [Sri Lanka]	Zydus Pharma Japan Co. Ltd. [Japan]			
Zydus International Private Limited [Ireland]	Laboratorios Combix S.L. [Spain]			
Zydus Netherlands B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
ZyHL B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Bremer Pharma GmbH [Germany]	Etna Biotech S.R.L. [Italy]			
ZyHL Europe B.V. [the Netherlands]	Zydus Healthcare Philippines Inc. [Philippines]			
d Directors:				
Mr. Vimal Sanghavi	Director [Appointed as director on 15/02/2015]			
Mr. Pradeep Agnihotri	Independent Director [Appointed as director on 15/02/2015]			
Mr. Jignesh Bhatt	Director [Appointed as director on 15/02/2015]			
Mr. Mukul Jain	Director [Ceased to be director w.e.f 31/03/2015]			
Mr. Rajendra Jani	Director [Ceased to be director w.e.f 31/03/2015]			

Zydus Discovery DMCC

Notes to the Financial Statements

Note: 17 -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 Note 17-A [a, b & c]

Nature of Transactions	USD Thousands			USD Thousands		
	Year ended March 31, 2016			Year ended March 31, 2015		
	Ultimate Holding Co.	Holding Co.	Fellow Subs.	Ultimate Holding Co.	Holding Co.	Fellow Subs.
Fixed Assets:						
Cadila Healthcare Limited	-	-	-	16,600	-	-
Reimbursement of Expenses Recovered:						
Zydus Worldwide DMCC	-	3	-	-	488	-
Rent Expenses:						
Zydus Worldwide DMCC	-	39	-	-	4	-
Subscription to Share Capital :						
Zydus Worldwide DMCC	-	-	-	-	8,014	-
Finance:						
Inter Corporate Loans received:						
Zydus International Pvt. Ltd.	-	-	-	-	-	8,600
Zydus Worldwide DMCC	-	996	-	-	136	-
Interest on Loan received:						
Zydus International Pvt. Ltd.	-	-	172	-	-	36
Zydus Worldwide DMCC	-	14	-	-	1	-
Outstanding:						
Loan Outstanding:						
Zydus International Pvt. Ltd.	-	-	8,600	-	-	8,600
Zydus Worldwide DMCC	-	1,132	-	-	136	-
Payable:						
Zydus International Pvt. Ltd.	-	-	88	-	-	36
Zydus Worldwide DMCC	-	56	-	-	493	-

a Details relating to parties referred to in Note 17-A [a, b & c]

Nature of Transactions	INR Thousands			INR Thousands		
	Year ended March 31, 2016			Year ended March 31, 2015		
	Ultimate Holding Co.	Holding Co.	Fellow Subs.	Ultimate Holding Co.	Holding Co.	Fellow Subs.
Fixed Assets:						
Cadila Healthcare Limited	-	-	-	1,015,754	-	-
Reimbursement of Expenses Recovered:						
Zydus Worldwide DMCC	-	196	-	-	29,861	-
Rent Expenses:						
Zydus Worldwide DMCC	-	2,553	-	-	245	-
Subscription to Share Capital :						
Zydus Worldwide DMCC	-	-	-	-	490,377	-
Finance:						
Inter Corporate Loans received:						
Zydus International Pvt. Ltd.	-	-	-	-	-	526,234
Zydus Worldwide DMCC	-	65,188	-	-	8,322	-
Interest on Loan received:						
Zydus International Pvt. Ltd.	-	-	11,257	-	-	2,203
Zydus Worldwide DMCC	-	916	-	-	61	-
Outstanding:						
Loan Outstanding:						
Zydus International Pvt. Ltd.	-	-	570,008	-	-	537,758
Zydus Worldwide DMCC	-	75,029	-	-	8,504	-
Payable:						
Zydus International Pvt. Ltd.	-	-	5,833	-	-	2,251
Zydus Worldwide DMCC	-	3,712	-	-	30,827	-

b There are no transactions with parties referred to in Note 17-A [d]

Note: 18-Segment Information:

The information on segment is not applicable as there are no revenue from operations.

Note: 19-Previous Year figures:

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 19 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 Discovery DMCC
Cash Flow Statement for the year ended March 31, 2016

Particulars	USD Thousands		INR Thousands	
	Year ended March 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Loss before tax	(487)	(166)	(31,873)	(10,174)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	10	7	655	446
Interest expenses	186	37	12,174	2,264
Provisions for employee benefits	14	1	916	61
Total	210	45	13,745	2,771
Operating profit before working capital changes	(277)	(121)	(18,128)	(7,403)
Adjustments for:				
Decrease/ [Increase] in short term advances	-	(2)	-	(122)
Decrease/ [Increase] in long term advances	-	(2)	-	(122)
Decrease/ [Increase] in other current assets	(5)	(1)	(327)	(61)
Increase/ [Decrease] in trade payables	(495)	496	(32,398)	30,350
Increase/ [Decrease] in other current liabilities	(37)	55	(2,422)	3,365
Total	(537)	546	(35,147)	33,410
Net cash from [used] operating activities	(814)	425	(53,275)	26,007
B Cash flows from investing activities:				
Purchase of fixed assets	(129)	(17,064)	(8,443)	(1,044,146)
Net cash used [from] in investing activities	(129)	(17,064)	(8,443)	(1,044,146)
C Cash flows from financing activities:				
Proceeds from Issuance of Share Capital	-	8,014	-	490,377
Proceeds from Long Term Borrowings	996	8,736	65,188	534,556
Interest paid	(79)	-	(5,171)	-
Net cash used [from] in financing activities	917	16,750	60,017	1,024,933
Net increase in cash and cash equivalents	(26)	111	(1,701)	6,794
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	395	147
Cash and cash equivalents at the beginning of the year	111	-	6,941	-
Cash and cash equivalents at the end of the year	85	111	5,634	6,942

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 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 and on behalf of the Board

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

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

Director