

ZYDUS HEALTHCARE [USA] LLC
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	200	200	13,284	12,612
Reserves and Surplus	2	188	180	12,487	11,349
		388	380	25,771	23,961
Non-Current Liabilities:					
Long Term Borrowings	3	2,500	2,500	166,050	157,650
Current Liabilities:					
Trade Payables	4	42	96	2,790	6,054
Other Current Liabilities	5	3	11	199	694
		45	107	2,989	6,748
Total		2,933	2,987	194,810	188,359
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	6	2,200	2,239	146,124	141,191
Current Assets:					
Trade Receivables	7	152	200	10,096	12,612
Cash and Bank Balances	8	523	491	34,738	30,962
Short Term Loans and Advances	9	58	56	3,852	3,531
Other Current Assets	10	-	1	-	63
		733	748	48,686	47,168
Total		2,933	2,987	194,810	188,359
Significant Accounting Policies					
Notes to the Financial Statements					
II					
1 to 19					
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		Director			
Partner					
Membership Number: 042132					
Ahmedabad, Dated: May 12, 2016					

ZYDUS HEALTHCARE [USA] LLC
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 Products		203	528	13,020	32,224
Sale of Services		69	63	4,426	3,845
Net Revenue from Operations		272	591	17,446	36,069
Other Income	11	163	169	10,455	10,314
Total Revenue		435	760	27,901	46,383
EXPENSES:					
Purchases of Stock-in-Trade	12	218	549	13,983	33,505
Employee Benefits Expenses	13	-	-	-	-
Finance Costs	14	151	151	9,685	9,216
Depreciation expenses	6	46	46	2,950	2,807
Other Expenses	15	10	3	641	183
Total Expenses		425	749	27,259	45,711
Profit before Tax		10	11	642	672
Less: Tax Expense:					
Current Tax		2	5	128	305
Profit for the year		8	6	514	367
		USD		INR	
Basic & Diluted Earning per Common Stock	16	0.04	0.03	2.57	1.84
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 HEALTHCARE [USA] LLC**I-Company overview:**

ZyduS Healthcare USA LLC [ZHUL] was incorporated in Delaware on September 24, 2002. Corporate office of the Company is situated at Pennington, New Jersey. It is wholly owned subsidiary of ZyduS International Private Limited, Ireland [ZIPL]. ZHUL procures products from Third parties and sells goods and services to Cadila Healthcare Limited.

II-Significant Accounting Policies:**1 Basis of Accounting:**

These financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America [GAAP]. Consequently, revenue is recognized when services are rendered and expenses reflected when costs are incurred.

2 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 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.

3 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 use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates are often based on judgments, probabilities and assumptions that management believes are reasonable but that are inherently uncertain and unpredictable. As a result, actual result could differ from those estimates. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustment, if any, to the estimates used are made prospectively based on such periodic evaluations.

4 Revenue Recognition:

The Company recognizes product sales revenues when the title and risk of loss have transferred to the customers, when estimated provisions for product returns, rebates and other sales allowances are reasonably determinable, and when collectibles are reasonably assured. Accruals for these provisions are presented as reductions to revenues.

5 Credit and Business Concentration:

The Company's financial instruments that are exposed to concentration of credit risks consist primarily of cash and cash equivalents and accounts receivables. The Company maintains its cash and cash equivalents in bank accounts, which, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to significant credit risk on cash and cash equivalents. Concentration of credit risks with respect to accounts receivable are limited because the credit worthiness of the Company's major customers. 100% of the sales for 2015 and 100% sales for 2014 [towards goods and service charges] were made to Cadila Healthcare Limited, its parent Company.

6 Property and Equipments:

Property and Equipments are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by the straight-line method. Depreciation of an asset commences when the asset is put into use. The estimated useful lives of the related assets range from 3 to 39.5 years.

7 Pension Plan:

The company has implemented an Employer sponsored 401K Pension Plan effective October 1, 2003. Under the Plan, ZHUL will make qualified-matching contribution to a maximum of 5% of the basic pay of the eligible employees. All Qualified matching contributions are 100 % vested and are subject to certain withdrawal of restrictions.

8 Income Taxes:

The Company records income taxes using the assets and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and the tax effect of net operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the period in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates are recognized in income in the period that includes the enactment date.

II-Significant Accounting Policies-Continued:**9 New Accounting Pronouncements:**

- A** In August 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance related to disclosure of uncertainties about an entity's ability to continue as a going concern. The new guidance requires management to evaluate whether there is substantial doubt about the entity's ability to continue as going concern and, as necessary, to provide related footnote disclosures. The guidance has an effective date of December 31, 2016. The company believes the adoption of this new standard will not have a material impact on its consolidated financial statements.
- B** In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2014-09- Revenue from Contracts with Customers, which provides a single, comprehensive revenue recognition model for all contracts with customers. The core principal of this ASU is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact this ASU will have on its consolidated financial statements.
- C** In January 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2015-01- Income Statement-Extraordinary and Unusual Items, which seeks to simplify income statement presentation by eliminating the concept of Extraordinary Items. This Update eliminates from GAAP the concept of extraordinary items. Subtopic 225-20, Income Statement—Extraordinary and Unusual Items, required that an entity separately classify, present, and disclose extraordinary events and transactions. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption.

ZYDUS HEALTHCARE [USA] LLC				
Notes to the Financial Statements				
	USD Thousands		INR Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Authorised:				
200,000 [as at December 31, 2014: 200,000] Common Stock of \$ 1 each	200	200	13,284	12,612
	200	200	13,284	12,612
Issued, Subscribed and Paid-up:				
200,000 [as at December 31, 2014: 200,000] Common Stock of \$ 1 each, each fully paid-up	200	200	13,284	12,612
	200	200	13,284	12,612
A There is no change in the number of shares as at the beginning and end of the year. Number of shares at the beginning and end of year	200,000	200,000		
B Common Stock of USD 1 each, fully paid held by Holding Company, 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 Shares	200,000	200,000		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet	-	-	553	-
Add: Exchange Rate differences on translation to INR	-	-	71	553
	-	-	624	553
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	180	174	11,349	10,429
Add: Profit for the year	8	6	514	367
Balance as at the end of the year	188	180	11,863	10,796
Total	188	180	12,487	11,349
Note: 3-Long Term Borrowings:				
Loan from related party [Unsecured] [*]	2,500	2,500	166,050	157,650
Total	2,500	2,500	166,050	157,650
[*] The Company borrowed a sum of USD 2,500 Thousands at the rate of 6% per annum from Zydus Pharmaceuticals USA Inc., a related Company. The terms of the loan is 30 years. The loan is payable in 359 monthly payments of interest only in the amount of USD 12.5 Thousands payable on the fifteenth day of each month, and a final payment of all principal plus accrued interest due, fees and other charges payable on January 5, 2040 [the "Maturity Date"].				
Note: 4-Trade Payables:				
Trade Payables	42	96	2,790	6,054
Total	42	96	2,790	6,054
Note: 5-Other Current Liabilities:				
Provision for Expenses	3	11	199	694
Total	3	11	199	694

ZYDUS HEALTHCARE [USA] LLC
Notes to the Financial Statements

Note: 6-Fixed Assets:

Tangible Assets:	Freehold	Plant and	Furniture	Computers	Total	
	Land	Buildings	Equipment and Fixtures			
	USD Thousands					
Gross Block:						
As at December 31, 2013	665	1,799	9	60	38	2,571
Additions						-
Disposals						-
As at December 31, 2014	665	1,799	9	60	38	2,571
Additions				7		7
Disposals						-
As at December 31, 2015	665	1,799	9	67	38	2,578
Depreciation and Impairment:						
As at December 31, 2013	-	179	9	60	38	286
Charge for the year		46				46
Disposals						-
As at December 31, 2014	-	225	9	60	38	332
Charge for the year		45		1		46
Disposals						-
As at December 31, 2015	-	270	9	61	38	378
Net Block:						
As at December 31, 2014	665	1,574	-	-	-	2,239
As at December 31, 2015	665	1,529	-	6	-	2,200
	INR Thousands					
Gross Block:						
As at December 31, 2013	39,860	107,832	539	3,596	2,278	154,105
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other adjustments	2,075	5,613	29	188	118	8,023
As at December 31, 2014	41,935	113,445	568	3,784	2,396	162,128
Additions	-	-	-	449	-	449
Disposals	-	-	-	-	-	-
Other adjustments	2,234	6,045	30	217	128	8,654
As at December 31, 2015	44,169	119,490	598	4,450	2,524	171,231
Depreciation and Impairment:						
As at December 31, 2013	-	10,729	539	3,596	2,278	17,142
Charge for the year	-	2,807	-	-	-	2,807
Disposals	-	-	-	-	-	-
Other adjustments	-	653	29	188	118	988
As at December 31, 2014	-	14,189	568	3,784	2,396	20,937
Charge for the year	-	2,886	-	64	-	2,950
Disposals	-	-	-	-	-	-
Other adjustments	-	858	30	204	128	1,220
As at December 31, 2015	-	17,933	598	4,052	2,524	25,107
Net Block:						
As at December 31, 2014	41,935	99,256	-	-	-	141,191
As at December 31, 2015	44,169	101,557	-	398	-	146,124

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

Note: 7-Trade Receivables:

Debts outstanding for a period exceeding six months :				
Considered good	4	4	266	252
Considered doubtful	-	-	-	-
	4	4	266	252
Less : Provision for doubtful debts	-	-	-	-
	4	4	266	252
Other debts - Considered good	-	-	-	-
Due from Holding / Subsidiaries / Fellow Subsidiaries	148	196	9,830	12,360
Total	152	200	10,096	12,612

Note: 8-Cash and Bank Balances:

Balances with Banks	523	491	34,738	30,962
Total	523	491	34,738	30,962

ZYDUS HEALTHCARE [USA] LLC				
Notes to the Financial Statements				
	USD Thousands		INR Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 9-Short Term Loans and Advances:				
[Unsecured, Considered Good]				
Balances with Revenue Authorities	3	1	199	63
Advances recoverable in cash or in kind or for value to be received	55	55	3,653	3,468
Total	58	56	3,852	3,531
Note: 10-Other Current Assets:				
Prepaid Expenses	-	1	-	63
Total	-	1	-	63
	USD Thousands		INR Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 11-Other Income:				
Other Non-operating Income [Rental Income]	163	169	10,455	10,314
Total	163	169	10,455	10,314
Note: 12-Purchase of Stock-in-Trade:				
Purchase of Stock-in-Trade	218	549	13,983	33,505
Total	218	549	13,983	33,505
Note: 13-Employee Benefit Expense:				
Salaries and wages	508	468	32,583	28,562
Contribution to provident and other funds	24	22	1,539	1,343
Staff welfare expenses	12	14	770	854
Reimbursement of expenses	(544)	(504)	(34,892)	(30,759)
Total	-	-	-	-
Note: 14-Finance Cost:				
Interest expense - others	150	150	9,621	9,155
Bank commission & charges	1	1	64	61
Total	151	151	9,685	9,216
Note: 15-Other Expenses:				
Traveling Expenses	28	18	1,796	1,099
Legal and Professional Fees	3	2	192	122
Freight and forwarding and Custom duty on sales	1	(3)	64	(183)
Miscellaneous Expenses	8	9	513	549
Reimbursement of Expenses	(30)	(23)	(1,924)	(1,404)
Total	10	3	641	183
Note: 16-Calculation of Earnings per Common Stock [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Profit attributable to Shareholders before Exceptional items	8	6	514	367
B Basic and weighted average number of Common Stock outstanding during the year	200,000	200,000	200,000	200,000
	USD		INR	
C Nominal value of Common Stock	1	1		
D Basic & Diluted EPS	0.04	0.03	2.57	1.84

ZYDUS HEALTHCARE [USA] LLC
Notes to the Financial Statements

Note: 17-Segment Information:

There is only one segment, namely "Pharmaceuticals".

Note: 18-Related Party Transactions:

A Name of the Related Party and Nature of the Related Party Relationship:

a Holding Company:	Zydu International Private Limited
b Ultimate Holding Company:	Cadila Healthcare Limited
c Fellow Subsidiaries:	
Dialforhealth India Limited	Zydu Pharmaceuticals (USA) Inc.
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA]
Dialforhealth Greencross Limited	Zydu Noveltech Inc. [USA]
German Remedies Limited	Hercon Pharmaceuticals LLC [USA]
Zydu Wellness Limited	Zydu Healthcare S.A. (Pty) Ltd [South Africa]
M/s. Zydu Wellness-Sikkim, a Partnership Firm	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Liva Pharmaceuticals Limited	Script Management Services (Pty) Ltd [South Africa]
Zydu Technologies Limited	Zydu Nikkho Farmaceutica Ltda. [Brazil]
Biochem Pharmaceutical Industries Limited	Laboratorios Combix S.L. [Spain]
Alidac Pharmaceuticals Limited (Earlier Zydu BSV Pharma Private Limited)	Zydu Pharmaceuticals Mexico SA De CV [Mexico]
M/s. Zydu Healthcare, a Partnership Firm	Zydu Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Zydu Lanka (Private) Limited [Sri Lanka]	ZAHL B.V. [the Netherlands]
Zydu Netherlands B.V. [the Netherlands]	ZAHL Europe B.V. [the Netherlands]
Zydu France, SAS [France]	Bremer Pharma GmbH [Germany]
Zydu Healthcare Philippines Inc [Philippines]	Zydu Worldwide DMCC [Dubai]
Etna Biotech S.R.L. [Italy]	Zydu Discovery DMCC [Dubai]
Zydu Pharma Japan Co. Ltd. [Japan]	
d Directors :	
Mr. Pankaj R. Patel [Ceased to be director w.e.f. February 20, 2015]	
Mr. Sharvil P Patel [Ceased to be director w.e.f. February 20, 2015]	
Mr. Prashant J. Desai	

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 18 - A [b & c]

Nature of Transactions	Value of the Transactions [USD Thousands]			
	Ultimate Holding company		Fellow subsidiaries	
	Year ended December 31			
	2015	2014	2015	2014
Sales:				
Goods:				
Cadila Healthcare Limited	203	528		
Services:				
Cadila Healthcare Limited	69	63		
Zydu Pharmaceuticals (USA) Inc.			163	169
Finance:				
Interest Paid :				
Zydu Pharmaceuticals (USA) Inc.			150	150
Reimbursement of expenses				
Cadila Healthcare Limited	574	527		
		As at December 31		
	2015	2014	2015	2014
Outstanding:				
Payable :				
Zydu Pharmaceuticals (USA) Inc.			2,500	2,500
Receivable:				
Cadila Healthcare Limited	152	200		

ZYDUS HEALTHCARE [USA] LLC
Notes to the Financial Statements

Note: 18-Related Party Transactions-Continued:

Nature of Transactions	Value of the Transactions [INR Thousands]			
	Ultimate Holding company		Fellow subsidiaries	
	Year ended December 31			
	2015	2014	2015	2014
Sales:				
Goods:				
Cadila Healthcare Limited	13,020	32,224		
Services:				
Cadila Healthcare Limited	4,426	3,845		
Zydus Pharmaceuticals (USA) Inc.			10,455	10,314
Finance:				
Interest Paid :				
Zydus Pharmaceuticals (USA) Inc.			9,621	9,155
Reimbursement of expenses				
Cadila Healthcare Limited	36,816	32,163		
		<u>As at December 31</u>		
Outstanding:	2015	2014	2015	2014
Payable :				
Zydus Pharmaceuticals (USA) Inc.			166,050	157,650
Receivable:				
Cadila Healthcare Limited	10,096	12,612		

b There are no transactions with the parties referred to in item no. 18 - A [a & d]

Note: 19

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 HEALTHCARE [USA] LLC

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:				
Profit before tax	10	11	642	672
Adjustments for:				
Depreciation expenses	46	46	2,950	2,807
Interest expenses	150	150	9,621	9,155
Total	196	196	12,571	11,962
Operating profit before working capital changes	206	207	13,213	12,634
Adjustments for:				
Decrease/ [Increase] in trade receivables	48	13	3,079	793
Decrease/ [Increase] in short term advances	(2)	(3)	(128)	(183)
Increase/ [Decrease] in trade payables	(54)	59	(3,464)	3,601
Increase/ [Decrease] in other current liabilities	(8)	5	(513)	305
Total	(15)	74	(962)	4,516
Cash generated from operations	191	281	12,251	17,150
Direct taxes paid [Net of refunds]	(2)	(5)	(128)	(305)
Net cash from [used] operating activities	189	276	12,123	16,845
B Cash flows from investing activities:				
Net cash used [from] in investing activities	(7)	-	(449)	-
C Cash flows from financing activities:				
Interest paid	(150)	(300)	(9,621)	(18,309)
Net cash used [from] in financing activities	(150)	(300)	(9,621)	(18,309)
Net increase in cash and cash equivalents	32	(24)	2,053	(1,464)
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	1,723	1,557
Cash and cash equivalents at the beginning of the year	491	515	30,962	30,869
Cash and cash equivalents at the end of the year	523	491	34,738	30,962

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 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