

Hercon Pharmaceuticals, LLC
Balance Sheet as at December 31, 2016

Particulars	Note No.	USD- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
ASSETS:					
Non-Current Assets:					
Property, Plant and Equipment	1	2,750	2,924	1,86,862	1,94,212
Capital work-in-progress		1,008	585	68,494	38,856
Other Intangible Assets	1	46	46	3,126	3,055
Current tax assets [Net]	2	641	390	43,556	25,904
		4,445	3,945	3,02,038	2,62,027
Current Assets:					
Inventories	3	2,166	1,212	1,47,180	80,500
Financial Assets:					
Trade Receivables	4	1,199	929	81,473	61,704
Cash and Cash Equivalents	5	75	83	5,112	5,529
Other Current Assets	6	226	241	15,356	16,007
		3,666	2,465	2,49,121	1,63,740
Total		8,111	6,410	5,51,159	4,25,767
EQUITY AND LIABILITIES:					
Equity:					
Equity Share Capital	7	100	100	6,795	6,642
Other Equity	8	(14,705)	(11,684)	(9,99,188)	(7,76,036)
		(14,605)	(11,584)	(9,92,393)	(7,69,394)
Non-Current Liabilities:					
Financial Liabilities:					
Borrowings	9	21,684	17,227	14,73,428	11,44,217
Current Liabilities:					
Financial Liabilities:					
Trade Payables	10	678	550	46,070	36,531
Other Financial Liabilities	11	354	217	24,054	14,413
		1,032	767	70,124	50,944
Total		8,111	6,410	5,51,159	4,25,767
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 23				

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

For Zydus Noveltch Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Hercon Pharmaceuticals, LLC
Statement of Profit and Loss for the year ended December 31, 2016

Particulars	Note No.	USD- Thousands		INR- Thousands	
		Year ended December 31			
		2016	2015	2016	2015
REVENUE:					
Revenue from Operations	12	3,478	2,854	2,33,722	1,83,055
EXPENSES:					
Cost of Materials Consumed	13	1,008	496	66,720	29,473
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	14	(1,007)	246	(69,224)	13,763
Employee Benefits Expense	15	3,131	3,334	2,10,403	2,13,842
Finance Costs	16	520	332	34,944	21,294
Depreciation, Amortisation and Impairment expenses	1	508	432	34,138	27,708
Other Expenses	17	2,339	2,266	1,57,179	1,45,341
Total Expenses		6,499	7,106	4,34,160	4,51,421
Loss for the year		(3,021)	(4,252)	(2,00,438)	(2,68,366)
OTHER COMPREHENSIVE INCOME:					
Other Comprehensive Income for the year, net of tax		-	-	-	-
Total Comprehensive Income for the year		(3,021)	(4,252)	(2,00,438)	(2,68,366)
Basic & Diluted Earning per Equity Share [EPS] [in Euro / Rupees]	18	(0.02)	(0.03)	(1.27)	(1.91)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 23				

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

For Zydus Noveltech Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Hercon Pharmaceuticals, LLC
Statement of Change in Equity for the year ended December 31, 2016

a Equity Share Capital:	Currency- Thousands		
	USD	INR	
Capital Contribution of a sole member	100	6,795	
Capital Contribution of USD 1,00,000/- is from Sole member Zydus Noveltch Inc., a company incorporated in the United States of America, which is a subsidiary company of Zydus International Private Limited [Refer Note 22], a company incorporated in the Republic of Ireland which is the subsidiary company of Cadila Healthcare Limited, the ultimate holding company incorporated in India.			
	USD- Thousands		
b Other Equity:	Retained Earnings	Total	
As at December 31, 2014	(7,432)	(7,432)	
Add: Loss for the year	(4,252)	(4,252)	
As at December 31, 2015	(11,684)	(11,684)	
Add: Loss for the year	(3,021)	(3,021)	
As at December 31, 2016	(14,705)	(14,705)	
		-	
	INR- Thousands		
b Other Equity:	Foreign Currency Translation Reserve	Retained Earnings	Total
As at December 31, 2014	(24,561)	(4,68,634)	(4,93,195)
Add: Loss for the year	-	(2,68,366)	(2,68,366)
Add: Addition during the year #	(14,475)	-	(14,475)
As at December 31, 2015	(39,036)	(7,37,000)	(7,76,036)
Add: Loss for the year	-	(2,00,438)	(2,00,438)
Add: Addition during the year #	(22,714)	-	(22,714)
As at December 31, 2016	(61,750)	(9,37,438)	(9,99,188)
# Includes adjustments on account of exchange rate translation differences.			
<u>As per our report of even date</u>	For Zydus Noveltch Inc.		
For Mukesh M. Shah & Co.			
Chartered Accountants			
Firm Registration Number: 106625W			
Chandresh S. Shah	Director & Representative		
Partner			
Membership Number: 042132			
Ahmedabad, Dated: May 25, 2017			

Hercon Pharmaceuticals, LLC

I-Business overview:

- A** Hercon Pharmaceuticals LLC is a Pennsylvania Limited Liability Company formed on June 1, 2012. On August 29, 2012, the Company acquired substantially all of the assets of Hercon Laboratories Corporation ["Hercon"]. The Company is a wholly-owned subsidiary of Zydus Noveltech, Inc., a New Jersey corporation.
- B** The Company, based in Emigsville, Pennsylvania, USA is a pharmaceutical company engaged in the development, manufacture and marketing of transdermal drug delivery systems.

II-Significant Accounting Policies:

1 Basis of Accounting:

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.

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 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 Other Equity.

3 Cash Equivalents:

Money market funds and investment instruments with original maturities of ninety days or less are considered cash equivalents.

4 Fair Value of Financial Instruments and Concentrations of Credit Risk:

- a** Management believes that the carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying amount of the Company's long-term debt also approximates fair value.
- b** Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. Periodically, the Company has cash balances at certain financial institutions in excess of federally insured limits. However, the Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. The Company mitigates this risk by depositing its cash in high quality financial institutions. To reduce credit risk related to accounts receivable, the Company performs on-going credit evaluations of its customers' financial condition but does not generally require collateral.

5 Revenue Recognition and Accounts Receivable:

- a** The Company recognizes revenue for product sales upon shipment when title and risk of loss pass to its customers and when provisions for estimates, including trade discounts, rebates, promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable. No revisions were made to the methodology used in determining these provisions during the year.
- b** The Company has historically provided financial terms to customers in accordance with what management views as industry norms. Financial terms, for credit-approved customers, are generally on a net 60 day basis, though most customers are entitled to a prompt payment discount. Management periodically and regularly reviews customer account activity in order to assess the adequacy of allowances for doubtful accounts, considering factors such as economic conditions and each customer's payment history and creditworthiness. If the financial condition of our customers were to deteriorate, or if they were otherwise unable to make payments in accordance with management's expectations, we might have to increase our allowance for doubtful accounts, modify their financial terms and/or pursue alternative collection methods. When accounts receivable are considered uncollectible, they are charged against the allowance. Quarterly, the Company reviews its accounts receivable for potential uncollectible accounts.

6 Inventories:

Inventories [Raw Material, Work-in-progress and Finished Goods] are stated at lower of cost [first-in, first-out basis] or market value.

7 Property, Plant and Equipment:

Property, plant and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred, and costs of improvements are capitalized. Depreciation and amortization are provided using the straight-line method by charges to operations over estimated useful lives of three to seven years. The cost and related accumulated depreciation of disposed assets are removed from the applicable accounts and any gain or loss is included in income in the period of disposal.

8 Impairment of Long-Lived Assets:

The Company reviews long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, in accordance with Statement of Financial Accounting Standards ["SFAS"] No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There were no impairment charges for the year.

9 Research and Development:

Research and development costs are charged to operations as incurred.

10 Income Taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred tax assets and liabilities 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 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.

11 Use of Estimates in the Preparation of Financial Statements:

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 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 reporting period. Actual results could differ from those estimates.

12 Employee Benefit Plan:

All non-union employees of the Company are eligible to participate in the Company's 401(k) Plan [the "Plan"] following six months of employment, provided certain age and service conditions are met. The Plan is designed to qualify as a "Safe Harbor 401(k) Plan". For all employees eligible to receive a Safe Harbor employer contribution, the Company will contribute to the Plan an amount equal to 3% of an employee's Plan compensation. The Plan allows eligible employees to defer up to a certain amount of their compensation on a pre-tax basis through contributions to the Plan. The Company may contribute for each participant a matching contribution equal to a percentage of the elective contributions made by the participants. The decision to make matching contributions and the amount of such contributions will be made each year by the Company.

Hercon Pharmaceuticals, LLC

II-Significant Accounting Policies- Continued:

13 Recent 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.

14 Commitments & Contingencies:

In normal course of business, the company may become subject to law suits and other claims and proceedings. Such matters are subject to uncertainty and outcomes are not predictable with assurance. Management is not aware of any pending or threatened lawsuit or proceeding that would have material adverse affect on financial position, liquidity or results of operations.

Notes to the Financial Statements

Note: 1: Property, Plant and Equipment & Intangible Assets :

	Property, Plant and Equipment			Other Intangible Assets
	Leasehold Land	Plant and Equipment	Total	Technical Know-how
	USD- Thousands			USD- Thousands
Gross Block:				
As at December 31, 2014	94	3,234	3,328	46
Additions	-	793	793	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2015	94	4,027	4,121	46
Additions	-	252	252	-
Disposals	-	-	-	-
Other adjustments	-	82	82	-
As at December 31, 2016	94	4,361	4,455	46
Depreciation and Impairment:				
As at December 31, 2014	34	731	765	-
Charge for the year	10	422	432	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2015	44	1,153	1,197	-
Charge for the year	10	498	508	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	-	-	-	-
As at December 31, 2016	54	1,651	1,705	-
Net Block:				
As at December 31, 2015	50	2,874	2,924	46
As at December 31, 2016	40	2,710	2,750	46
	INR- Thousands			INR- Thousands
Gross Block:				
As at December 31, 2014	5,928	2,03,936	2,09,864	2,901
Additions	-	50,863	50,863	-
Disposals	-	-	-	-
Other adjustments	315	12,674	12,990	154
As at December 31, 2015	6,243	2,67,473	2,73,717	3,055
Additions	-	16,934	16,934	-
Disposals	-	-	-	-
Other adjustments	144	11,923	12,066	71
As at December 31, 2016	6,387	2,96,330	3,02,717	3,126
Depreciation and Impairment:				
As at December 31, 2014	2,144	46,097	48,241	-
Charge for the year	641	27,067	27,708	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	137	3,418	3,556	-
As at December 31, 2015	2,922	76,582	79,505	-
Charge for the year	672	33,466	34,138	-
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	75	2,137	2,212	-
As at December 31, 2016	3,669	1,12,185	1,15,855	-
Net Block:				
As at December 31, 2015	3,321	1,90,891	1,94,212	3,055
As at December 31, 2016	2,718	1,84,145	1,86,862	3,126

Hercon Pharmaceuticals, LLC
Notes to the Financial Statements

Note: 2-Current tax assets [Net]:				
[Unsecured, Considered Good unless otherwise stated]				
Advance payment of Tax [Net of provision for taxation]	641	390	43,556	25,904
Total	641	390	43,556	25,904
Note: 3-Inventories:				
[The Inventory is valued at lower of cost and net realisable value]				
Classification of Inventories:				
Raw Materials	638	691	43,352	45,896
Work-in-progress	203	70	13,794	4,649
Finished Goods	1,325	451	90,034	29,955
Total	2,166	1,212	1,47,180	80,500
Note: 4-Trade Receivables:				
Others- Considered good:				
Unsecured	1,199	929	81,473	61,704
Total	1,199	929	81,473	61,704
Note: 5-Cash and Cash Equivalents:				
Balances with Banks	75	83	5,097	5,513
Cash on Hand [\$230 (Previous year:\$241)]	-	-	15	16
Total	75	83	5,112	5,529
Note: 6-Other Current Assets:				
[Unsecured, Considered Good]				
Prepaid Expenses	226	241	15,356	16,007
Total	226	241	15,356	16,007
Note: 7-Equity Share Capital:				
Capital Contribution of a sole member	100	100	6,795	6,642
	100	100	6,795	6,642
Capital Contribution of USD 1,00,000/- is from Sole member Zydus Noveltech Inc., a company incorporated in the United States of America, which is a subsidiary company of Zydus International Private Limited [Refer Note 22], a company incorporated in the Republic of Ireland which is the subsidiary company of Cadila Healthcare Limited, the ultimate holding company incorporated in India.				
Note: 8-Other Equity:				
Other Reserves:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet			(39,036)	(24,561)
Add: Exchange Rate differences on translation to INR			(22,714)	(14,475)
	-	-	(61,750)	(39,036)
Retained Earnings:				
Balance as per last Balance Sheet	(11,684)	(7,432)	(7,37,000)	(4,68,634)
Add: Loss for the year	(3,021)	(4,252)	(2,00,438)	(2,68,366)
Balance as at the end of the year	(14,705)	(11,684)	(9,37,438)	(7,37,000)
Total	(14,705)	(11,684)	(9,99,188)	(7,76,036)
Note: 9-Borrowings:				
[Unsecured]				
Loan from a related party -Zydus Noveltech Inc. [applicable interest rate in the range of Daily LIBOR plus 45 to 60 bps]	21,684	17,227	14,73,428	11,44,217
Total	21,684	17,227	14,73,428	11,44,217
Note: 10-Trade Payables:				
Trade Payables	678	550	46,070	36,531
Total	678	550	46,070	36,531
Note: 11-Other Financial Liabilities:				
Accrued Expenses	354	217	24,054	14,413
Total	354	217	24,054	14,413

Hercon Pharmaceuticals, LLC
Notes to the Financial Statements

	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Note: 12-Revenue from Operations:				
Sale of Products [Gross]	1,573	1,502	1,05,706	96,338
Other Operating Revenues:				
Miscellaneous Income - Contract Revenue	1,905	1,352	1,28,016	86,717
Total	3,478	2,854	2,33,722	1,83,055
Note: 13-Cost of Materials Consumed:				
Raw Materials:				
Stock at commencement	691	708	45,896	44,646
Add: Purchases	955	479	64,176	30,723
	1,646	1,187	1,10,072	75,369
Less: Stock at close	638	691	43,352	45,896
Total	1,008	496	66,720	29,473
Note: 14-Changes in Inventories:				
Stock at commencement:				
Work-in-progress	70	80	4,649	5,045
Finished Goods	451	687	29,955	43,322
	521	767	34,604	48,367
Less: Stock at close:				
Work-in-progress	203	70	13,794	4,649
Finished Goods	1,325	451	90,034	29,955
	1,528	521	1,03,828	34,604
Total	(1,007)	246	(69,224)	13,763
Note: 15-Employee Benefits Expense:				
Salaries and wages	2,528	2,743	1,69,882	1,75,936
Contribution to provident and other funds	56	59	3,763	3,784
Staff welfare expenses	547	532	36,758	34,122
Total	3,131	3,334	2,10,403	2,13,842
Above expenses includes Research related expenses as follows:				
Salaries and wages	642	1,193	43,142	76,519
Contribution to provident and other funds	17	25	1,142	1,604
Staff welfare expenses	127	227	8,534	14,560
Total	786	1,445	52,818	92,683
Note: 16-Finance Cost:				
Interest expense [*]	273	159	18,346	10,198
Bank commission & charges	247	173	16,598	11,096
Total	520	332	34,944	21,294
[*] The break up of interest expense into major heads is given below:				
Others	273	159	18,346	10,198
Total	273	159	18,346	10,198
Note: 17-Other Expenses:				
Analytical Expenses	344	268	23,117	17,190
Consumption of Stores and spare parts	144	161	9,677	10,327
Power & fuel	172	173	11,558	11,096
Rent	245	245	16,464	15,714
Repairs to Buildings	72	76	4,838	4,875
Repairs to Plant and Machinery	183	214	12,298	13,726
Insurance	112	86	7,526	5,516
Registration fees	370	282	24,864	18,087
Freight and forwarding on sales	39	40	2,621	2,566
Traveling Expenses	31	20	2,083	1,282
Legal and Professional Fees	116	380	7,795	24,373
Sales promotion expenses	1	-	67	-
Seminar, Conference and Exhibition	17	9	1,142	577
Commission on sales	80	72	5,376	4,618
Miscellaneous Expenses	413	240	27,753	15,394
Total	2,339	2,266	1,57,179	1,45,341
Above expenses includes Research related expenses as follows:				
Analytical expenses	206	121	13,843	7,761
Repairs to Plant and Machinery	46	10	3,091	641
Traveling Expenses	2	2	134	128
Miscellaneous Expenses [excluding Depreciation]	5	6	336	385
Total	259	139	17,404	8,915

Hercon Pharmaceuticals, LLC
Notes to the Financial Statements

Note: 18-Segment Information:

The Chief Operating Decision Maker [CODM] reviews the Company as a single segment, namely, "Pharmaceutical Segment".

Note: 19-Related Party Transactions:

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

a Holding Company:	Zydu Noveltech Inc.
b Holding Company of Holding Company:	Zydu International Private Limited [Refer Note 22]
c Ultimate Holding Company:	Cadila Healthcare Limited [Refer Note 22]
d Fellow Subsidiaries:	
Dialforhealth India Limited	Laboratorios Combix S.L. [Spain]
Dialforhealth Unity Limited	Zydu France, SAS [France]
Dialforhealth Greencross Limited	Zydu Healthcare S.A. (Pty) Ltd [South Africa]
Zydu Wellness Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
M/s. Zydu Wellness-Sikkim, a Partnership Firm	Script Management Services (Pty) Ltd [South Africa]
Zydu Healthcare Limited	Alidac Healthcare (Myanmar) Limited [Myanmar]
Zydu Technologies Limited	Zydu Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Liva Pharmaceuticals Limited	Etna Biotech S.R.L. [Italy]
Alidac Pharmaceuticals Limited	ZAHL B.V. [the Netherlands]
Zydu Netherlands B.V. [the Netherlands]	ZAHL Europe B.V. [the Netherlands]
Zydu Healthcare (USA) LLC [USA]	Bremer Pharma GmbH [Germany]
Zydu Healthcare Philippines Inc [Philippines]	Nesher Pharmaceuticals (USA) LLC [USA]
Zydu Pharmaceuticals (USA) Inc.[USA]	Zydu Worldwide DMCC [Dubai]
Zydu Nikkho Farmaceutica Ltda. [Brazil]	Zydu Discovery DMCC [Dubai]
Zydu Pharmaceuticals Mexico SA De CV [Mexico]	Zydu Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]
Zydu Lanka (Private) Limited [Srilanka]	

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

- a** There are no transactions with the parties referred to in item no. 19 A [b & c]
b Details relating to parties referred to in items 19 A [a & d]

<u>Nature of Transactions</u>	Value of Transactions [USD Thousands]		Fellow Subsidiaries
	Holding company	2015	
	2016	2016	
		Year ended December 31	
Purchases:	2016	2015	2016
Reimbursement of expenses paid:			
Zydu Noveltech Inc.	244	177	
Sales:			
Services:			
Zydu Technologies Limited			1,905
Reimbursement of expenses received:			
Zydu Noveltech Inc.	36	37	
Finance:			
Inter Corporate Loans received:			
Zydu Noveltech Inc.	4,457	4,361	
Interest paid:			
Zydu Noveltech Inc.	273	159	
		As at December 31	
Outstanding:	2016	2015	2016
Payable:			
Zydu Noveltech Inc.	21,684	17,257	
Receivable:			
Zydu Technologies Limited			625
			376
		Value of Transactions [INR Thousands]	
		Year ended December 31	
Purchases:	2016	2015	2016
Reimbursement of expenses paid:			
Zydu Noveltech Inc.	16,397	11,353	
Sales:			
Services:			
Zydu Technologies Limited			1,28,016
Reimbursement of expenses received:			
Zydu Noveltech Inc.	2,419	2,373	
Finance:			
Inter Corporate Loans received:			
Zydu Noveltech Inc.	3,02,853	2,89,658	
Interest paid:			
Zydu Noveltech Inc.	18,346	10,198	
		As at December 31	
Outstanding:	2016	2015	2016
Payable:			
Zydu Noveltech Inc.	14,73,428	11,46,210	
Receivable:			
Zydu Technologies Limited			42,469
			24,974

Hercon Pharmaceuticals, LLC
Notes to the Financial Statements

Note: 20-Operating Lease:

The Company has entered into triple net lease agreement for land and buildings, lease expiring through 2017. The future minimum rental payments under the lease agreement for the year ended December 31, 2016 and 2015 are as under:

	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Year				
2016	-	245	-	15,714
2017	163	163	10,954	10,455
Total Commitments	163	408	10,954	26,169
Lease payments recognised in the Statement of Profit and Loss	245	245	16,464	15,714

Note: 21-Going Concern:

The company has accumulated losses of USD 14,705 Thousand and company's total liabilities exceed its assets by USD 14,605 Thousand. The financial statements have been prepared on the basis of accounting policies applicable to a going concern. These basis presume that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ultimate holding company, Cadila Healthcare Ltd. [CHL] has given an assurance to provide continuous financial support to the Company to meet its financial commitments and liabilities as and when they fall due.

Note: 22 Post reporting date events :

Pursuant to the Share Purchase Agreement ['SPA'] entered into by Zydus International Private Limited [ZIPL], Ireland [wholly owned subsidiary of Cadila Healthcare Limited [CHL], India on March 23, 2017 with Cadila Healthcare Limited [CHL], CHL had acquired all shares held by ZIPL in Zydus Noveltech Inc [ZNI], USA for Cash Consideration. Pursuant to this, ZNI has become direct overseas subsidiary of CHL and the Company has become step down subsidiary of CHL.

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 Zydus Noveltech Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 25, 2017

Director & Representative

Hercon Pharmaceuticals, LLC
Cash Flow Statement for the year ended December 31, 2016

Particulars	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
A Cash flows from operating activities:				
Loss before tax	(3,021)	(4,252)	(2,00,438)	(2,68,366)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	508	432	34,138	27,708
Interest expenses	273	159	18,346	10,198
Total	781	591	52,484	37,906
Operating profit before working capital changes	(2,240)	(3,661)	(1,47,954)	(2,30,460)
Adjustments for:				
Decrease/ [Increase] in trade receivables	(270)	228	(18,144)	14,624
Decrease/ [Increase] in inventories	(954)	263	(64,109)	16,869
Decrease in other current assets	15	4	1,008	257
Increase in trade payables	128	292	8,601	18,729
Increase/ [Decrease] in other current liabilities	137	(153)	9,206	(9,813)
Total	(944)	634	(63,438)	40,666
Cash generated from operations	(3,184)	(3,027)	(2,11,392)	(1,89,794)
Direct taxes paid [Net of refunds]	(251)	(178)	(16,868)	(11,417)
Net cash used in operating activities	(3,435)	(3,205)	(2,28,260)	(2,01,211)
B Cash flows from investing activities:				
Purchase of property, plant and equipment	(757)	(1,000)	(50,871)	(64,140)
Net cash used in investing activities	(757)	(1,000)	(50,871)	(64,140)
C Cash flows from financing activities:				
Proceeds from non current borrowings	4,457	4,361	2,99,510	2,79,715
Interest paid	(273)	(159)	(18,346)	(10,198)
Net cash from financing activities	4,184	4,202	2,81,164	2,69,517
Net decrease in cash and cash equivalents	(8)	(3)	2,033	4,166
Decrease due to the translation to INR [Refer Note-3]	-	-	(2,434)	(4,060)
Cash and cash equivalents at the beginning of the year	83	86	5,513	5,423
Cash and cash equivalents at the end of the year	75	83	5,112	5,529

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 25, 2017

Director & Representative