

**Zydus Novelttech Inc.**  
**Balance Sheet as at December 31, 2016**

Particulars	Note No.	USD- Thousands		INR- Thousands	
		As at December 31			
		2016	2015	2016	2015
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Property, Plant and Equipment	1	5	6	340	398
Capital work-in-progress		-	16	-	1,063
<b>Financial Assets:</b>					
Investments	2	100	100	6,795	6,642
Loans	3	21,684	17,227	14,73,428	11,44,217
Other Non-Current Financial Assets	4	11	11	747	731
		<b>21,800</b>	17,360	<b>14,81,310</b>	11,53,051
<b>Current Assets:</b>					
<b>Financial Assets:</b>					
Trade Receivables	5	338	900	22,968	59,778
Cash and Cash Equivalents	6	678	982	46,072	65,224
Other Financial Assets	7	5	5	339	332
Other Current Assets	8	53	66	3,601	4,384
		<b>1,074</b>	1,953	<b>72,980</b>	1,29,718
<b>Total</b>		<b>22,874</b>	19,313	<b>15,54,290</b>	12,82,769
<b>EQUITY AND LIABILITIES:</b>					
<b>Equity:</b>					
Equity Share Capital	9	5,000	5,000	3,39,750	3,32,100
Other Equity	10	(6,060)	(3,951)	(4,11,776)	(2,62,426)
		<b>(1,060)</b>	1,049	<b>(72,026)</b>	69,674
<b>Non-Current Liabilities:</b>					
<b>Financial Liabilities:</b>					
Borrowings	11	23,600	17,300	16,03,620	11,49,066
Provisions	12	150	150	10,193	9,963
		<b>23,750</b>	17,450	<b>16,13,813</b>	11,59,029
<b>Current Liabilities:</b>					
<b>Financial Liabilities:</b>					
Trade Payables	13	175	268	11,891	17,801
Other Financial Liabilities	14	9	546	612	36,265
		<b>184</b>	814	<b>12,503</b>	54,066
<b>Total</b>		<b>22,874</b>	19,313	<b>15,54,290</b>	12,82,769
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 26				

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

**Zydus Noveltch Inc.**  
**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
<b>REVENUE:</b>					
Revenue from Operations	15	1,407	2,169	94,550	1,39,120
Other Income	16	314	1	21,101	64
Total Revenue		1,721	2,170	1,15,651	1,39,184
<b>EXPENSES:</b>					
Employee Benefits Expense	17	1,451	1,406	97,507	90,181
Finance Costs	18	2	2	134	128
Depreciation, Amortisation and Impairment expenses	1	4	5	269	321
Other Expenses	19	2,373	1,156	1,59,465	74,146
Total Expenses		3,830	2,569	2,57,375	1,64,776
<b>Profit for the year</b>		(2,109)	(399)	(1,41,724)	(25,592)
<b>OTHER COMPREHENSIVE INCOME:</b>					
Other Comprehensive Income for the year, net of tax		-	-	-	-
<b>Total Comprehensive Income for the year</b>		(2,109)	(399)	(1,41,724)	(25,592)
<b>Basic &amp; Diluted Earning per Equity Share [EPS] [in USD / Rupees]</b>	20	(2,109)	(399)	(1,41,724)	(25,592)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 26				

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

**Zydus Noveltch Inc.**

**Statement of Change in Equity for the year ended December 31, 2016**

<b>a Equity Share Capital:</b>	<b>No. of Shares</b>	<b>USD- Thousands</b>	<b>INR- Thousands</b>
<b>Common Stock, no par value:</b>			
As at December 31, 2014	1,000	<b>5,000</b>	3,15,300
As at December 31, 2015	1,000	<b>5,000</b>	3,32,100
As at December 31, 2016	1,000	<b>5,000</b>	3,39,750
		<b>USD- Thousands</b>	
<b>b Other Equity:</b>		<b>Retained Earnings</b>	<b>Total</b>
<b>As at December 31, 2014</b>		<b>(3,552)</b>	<b>(3,552)</b>
Add: Loss for the year		(399)	<b>(399)</b>
<b>As at December 31, 2015</b>		<b>(3,951)</b>	<b>(3,951)</b>
Add: Loss for the year		(2,109)	<b>(2,109)</b>
<b>As at December 31, 2016</b>		<b>(6,060)</b>	<b>(6,060)</b>
			-
		<b>INR- Thousands</b>	
<b>b Other Equity:</b>		<b>Foreign Currency Translation Reserve</b>	<b>Retained Earnings</b>
			<b>Total</b>
<b>As at December 31, 2014</b>		<b>(10,729)</b>	<b>(2,23,989)</b>
Add: Loss for the year		-	(25,592)
Add: Addition during the year #		(2,116)	-
<b>As at December 31, 2015</b>		<b>(12,845)</b>	<b>(2,49,581)</b>
Add: Profit for the year		-	(1,41,724)
Add: Addition during the year #		(7,627)	-
<b>As at December 31, 2016</b>		<b>(20,471)</b>	<b>(3,91,305)</b>
# Includes adjustments on account of exchange rate translation differences.			
<i>As per our report of even date</i>	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 25, 2017			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 Other Equity.

#### 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, Plant 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.

**Zyduz Noveltech Inc.**  
**Notes to the Financial Statements**

**Note: 1-Property, Plant and Equipment:**

	Leasehold Land	Plant and Equipment	Furniture and Fixtures	Total
<b>USD- Thousands</b>				
Gross Block:				
As at December 31, 2014	10	86	91	187
Additions				-
Disposals				-
Other adjustments				-
As at December 31, 2015	10	86	91	187
Additions		3		3
Disposals				-
Other adjustments				-
As at December 31, 2016	10	89	91	190
Depreciation and Impairment:				
As at December 31, 2014	10	77	89	176
Charge for the year		4	1	5
Impairment for the year				-
Disposals				-
Other adjustments				-
As at December 31, 2015	10	81	90	181
Charge for the year		4		4
Impairment for the year				-
Disposals				-
Other adjustments				-
As at December 31, 2016	10	85	90	185
Net Block:				
As at December 31, 2015	-	5	1	6
As at December 31, 2016	-	4	1	5
<b>INR- Thousands</b>				
Gross Block:				
As at December 31, 2014	631	5,423	5,738	11,792
Additions	-	-	-	-
Disposals	-	-	-	-
Other adjustments	33	289	306	628
As at December 31, 2015	664	5,712	6,044	12,420
Additions	-	202	-	202
Disposals	-	-	-	-
Other adjustments	16	134	139	289
As at December 31, 2016	680	6,048	6,183	12,911
Depreciation and Impairment:				
As at December 31, 2014	631	4,856	5,612	11,099
Charge for the year	-	257	64	321
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	33	267	302	602
As at December 31, 2015	664	5,380	5,978	12,022
Charge for the year	-	269	-	269
Impairment for the year	-	-	-	-
Disposals	-	-	-	-
Other adjustments	16	127	138	280
As at December 31, 2016	680	5,776	6,116	12,571
Net Block:				
As at December 31, 2015	-	332	66	398
As at December 31, 2016	-	272	67	340

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

**Zydus Noveltch Inc.**  
**Notes to the Financial Statements**

	USD- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
<b>Note: 2-Investments:</b>				
<b>Investment in a Subsidiary:</b>				
Investments in Equity Instruments	100	100	6,795	6,642
	100	100	6,795	6,642
Details of Investment in a Subsidiary:				
Investment in Equity Instruments:				
Investment in fully paid Common Stock [Unquoted]:				
Hercon Pharmaceuticals LLC [Sole member] [Refer Note - 24]	100	100	6,795	6,642
<b>Total</b>	<b>100</b>	<b>100</b>	<b>6,795</b>	<b>6,642</b>
<b>Note: 3-Loans:</b>				
[Unsecured, Considered Good unless otherwise stated]				
Loans and Advances to Related Parties [*]	21,684	17,227	14,73,428	11,44,217
<b>Total</b>	<b>21,684</b>	<b>17,227</b>	<b>14,73,428</b>	<b>11,44,217</b>
[*] Details of Loans and Advances to related parties are as under:				
Name of the party and relationship with the party to whom loan given:				
Subsidiary Company:				
Hercon Pharmaceuticals LLC	21,684	17,227	14,73,428	11,44,217
[applicable interest rate in the range of Daily LIBOR plus 45 to 60 bps]				
<b>Total</b>	<b>21,684</b>	<b>17,227</b>	<b>14,73,428</b>	<b>11,44,217</b>
<b>Note: 4-Other Non-Current Financial Assets:</b>				
[Unsecured, Considered Good unless otherwise stated]				
Security Deposits	11	11	747	731
<b>Total</b>	<b>11</b>	<b>11</b>	<b>747</b>	<b>731</b>
<b>Note: 5-Trade Receivables:</b>				
Others- Considered good:				
Unsecured	338	900	22,968	59,778
<b>Total</b>	<b>338</b>	<b>900</b>	<b>22,968</b>	<b>59,778</b>
<b>Note: 6-Cash and Cash Equivalents:</b>				
Balances with Banks	459	674	31,190	44,767
Others #	219	308	14,882	20,457
<b>Total</b>	<b>678</b>	<b>982</b>	<b>46,072</b>	<b>65,224</b>
# Balances with Banks to the extent held as margin money deposits against guarantee	219	308	14,882	20,457
<b>Note: 7-Other Financial Assets:</b>				
[Unsecured, Considered Good]				
Other Advances	5	5	339	332
<b>Total</b>	<b>5</b>	<b>5</b>	<b>339</b>	<b>332</b>
<b>Note: 8-Other Current Assets:</b>				
[Unsecured, Considered Good]				
Prepaid Expenses	53	66	3,601	4,384
<b>Total</b>	<b>53</b>	<b>66</b>	<b>3,601</b>	<b>4,384</b>

**Zydus Noveltch Inc.**  
**Notes to the Financial Statements**

	USD- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
<b>Note: 9-Equity Share Capital:</b>				
<b>Authorised:</b>				
1,500 [as at December 31, 2015: 1,500] Common Stock, no par value	-	-	-	-
	-	-	-	-
<b>Issued, Subscribed and Paid-up:</b>				
1,000 [As at December 31, 2015: 1,000] Common Stock, no par value	5,000	5,000	3,39,750	3,32,100
	5,000	5,000	3,39,750	3,32,100
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. [Refer Note 25]				
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%		
<b>Note: 10-Other Equity:</b>				
<b>Other Reserves:</b>				
<b>Foreign Currency Translation Reserve:</b>				
Balance as per last Balance Sheet	-	-	(12,845)	(10,729)
Add: Exchange Rate differences on translation to INR	-	-	(7,627)	(2,116)
	-	-	(20,471)	(12,845)
<b>Retained Earnings:</b>				
Balance as per last Balance Sheet	(3,951)	(3,552)	(2,49,581)	(2,23,989)
Add: Loss for the year	(2,109)	(399)	(1,41,724)	(25,592)
Balance as at the end of the year	(6,060)	(3,951)	(3,91,305)	(2,49,581)
<b>Total</b>	(6,060)	(3,951)	(4,11,776)	(2,62,426)
<b>Note: 11-Borrowings:</b>				
	USD- Thousands		INR- Thousands	
	As at December 31			
	2016	2015	2016	2015
Loan from Bank [Secured] [*]	23,600	17,300	16,03,620	11,49,066
<b>Total</b>	23,600	17,300	16,03,620	11,49,066
[*] Secured by corporate guarantee of Cadila Healthcare Limited. The interest is in the range of 45 to 60 bps over daily LIBOR.				
<b>Note: 12-Provisions:</b>				
Provision for Employee Benefits	150	150	10,193	9,963
<b>Total</b>	150	150	10,193	9,963
<b>Note: 13-Trade Payables:</b>				
Trade payables	175	268	11,891	17,801
<b>Total</b>	175	268	11,891	17,801
<b>Note: 14-Other Financial Liabilities:</b>				
Accrued Expenses	9	546	612	36,265
<b>Total</b>	9	546	612	36,265

**Zydus Noveltch Inc.**  
**Notes to the Financial Statements**

	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
<b>Note: 15-Revenue from Operations:</b>				
Sale of Service	1,407	2,169	94,550	1,39,120
<b>Total</b>	<b>1,407</b>	<b>2,169</b>	<b>94,550</b>	<b>1,39,120</b>
<b>Note: 16-Other Income:</b>				
Interest Income	-	1	-	64
Other Non-operating Income	314	-	21,101	-
<b>Total</b>	<b>314</b>	<b>1</b>	<b>21,101</b>	<b>64</b>
<b>Note: 17-Employee Benefits Expense:</b>				
Salaries and wages	1,311	1,267	88,099	81,265
Contribution to provident and other funds	38	40	2,554	2,566
Staff welfare expenses	102	99	6,854	6,350
<b>Total</b>	<b>1,451</b>	<b>1,406</b>	<b>97,507</b>	<b>90,181</b>
<b>Note: 18-Finance Cost:</b>				
Bank commission & charges	2	2	134	128
<b>Total</b>	<b>2</b>	<b>2</b>	<b>134</b>	<b>128</b>
<b>Note: 19-Other Expenses:</b>				
Rent	71	66	4,771	4,233
Insurance	11	11	739	706
Traveling Expenses	197	185	13,238	11,865
Legal and Professional Fees	49	815	3,293	52,274
Miscellaneous Expenses	2,045	79	1,37,424	5,068
<b>Total</b>	<b>2,373</b>	<b>1,156</b>	<b>1,59,465</b>	<b>74,146</b>
<b>Note: 20-Calculation of Earnings per Equity Share [EPS]:</b>				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Loss attributable to Shareholders	(2,109)	(399)	(1,41,724)	(25,592)
B Basic and weighted average number of Equity shares outstanding during the year	1,000	1,000	1,000	1,000
	<b>USD</b>		<b>INR</b>	
C Nominal value of equity share	No Par Value	No Par Value		
D Basic & Diluted EPS	(2,109)	(399)	(1,41,724)	(25,592)
<b>Note: 21-Related Party Transactions:</b>				
<b>A Name of the Related Parties and Nature of the Related Party Relationship:</b>				
<b>a Holding Company:</b> Zydus International Private Limited [Refer Note 25]				
<b>b Ultimate Holding Company:</b> Cadila Healthcare Limited [Refer Note 25]				
<b>c Subsidiary Company:</b> Hercon Pharmaceuticals LLC [USA]				
<b>d Fellow Subsidiaries:</b>				
Dialforhealth India Limited	Zydus France, SAS [France]			
Dialforhealth Unity Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]			
Dialforhealth Greencross Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Zydus Wellness Limited	Script Management Services (Pty) Ltd [South Africa]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Alidac Healthcare (Myanmar) Limited [Myanmar]			
Zydus Healthcare Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Zydus Technologies Limited	Etna Biotech S.R.L. [Italy]			
Liva Pharmaceuticals Limited	ZAHL B.V. [the Netherlands]			
Alidac Pharmaceuticals Limited	ZAHL Europe B.V. [the Netherlands]			
Zydus Netherlands B.V. [the Netherlands]	Bremer Pharma GmbH [Germany]			
Zydus Healthcare (USA) LLC [USA]	Nesher Pharmaceuticals (USA) LLC [USA]			
Zydus Healthcare Philippines Inc [Philippines]	Zydus Worldwide DMCC [Dubai]			
Zydus Pharmaceuticals (USA) Inc.[USA]	Zydus Discovery DMCC [Dubai]			
Zydus Nikkho Farmaceutica Ltda. [Brazil]	Zydus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]			
Zydus Lanka (Private) Limited [Srilanka]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
Laboratorios Combig S.L. [Spain]				
<b>e Directors:</b>				
Mr. Prashant Desai	Mr. Ravi Yadavar	Mr. Sharad Govil		



**Zydus Noveltch Inc.**  
**Notes to the Financial Statements**

**Note: 21 -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 21 A [a & d]

Nature of Transactions	Value of Transactions [USD Thousands]		2015	
	Subsidiary Company	Fellow Subsidiaries		
	Year ended December 31			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Purchase:</b>				
<b>Reimbursement of expenses paid:</b>				
Hercon Pharmaceuticals LLC	36	37		
<b>Sales:</b>				
<b>Services:</b>				
Zydus Technologies Limited			1,407	2,169
<b>Reimbursement of expenses received:</b>				
Hercon Pharmaceuticals LLC	517	336		
<b>Finance:</b>				
<b>Inter corporate loan given:</b>				
Hercon Pharmaceuticals LLC	4,457	4,361		
<b>Inter corporate loan accepted:</b>				
Zydus Pharmaceuticals (USA) Inc.			-	500
<b>Inter corporate loan repaid:</b>			-	500
			-	500
			<u>As at December 31</u>	
<b>Outstanding:</b>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Receivable:</b>				
Hercon Pharmaceuticals LLC	21,684	17,257		
Zydus Technologies limited			246	867

Nature of Transactions	Value of Transactions [INR Thousands]		2015	
	Subsidiary Company	Fellow Subsidiaries		
	Year ended December 31			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Purchase:</b>				
<b>Reimbursement of expenses paid:</b>				
Hercon Pharmaceuticals LLC	2,419	2,373		
<b>Sales:</b>				
<b>Services:</b>				
Zydus Technologies Limited			94,550	1,39,120
<b>Reimbursement of expenses received:</b>				
Hercon Pharmaceuticals LLC	34,742	21,551		
<b>Finance:</b>				
<b>Inter corporate loan given:</b>				
Hercon Pharmaceuticals LLC	3,02,853	2,89,658		
<b>Inter corporate loan accepted:</b>				
Zydus Pharmaceuticals (USA) Inc.			-	33,210
<b>Inter corporate loan repaid:</b>			-	33,210
			-	33,210
			<u>As at December 31</u>	
<b>Outstanding:</b>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Receivable:</b>				
Hercon Pharmaceuticals LLC	14,73,428	11,46,210		
Zydus Technologies limited			16,716	57,586

- b Details relating to persons referred to in item 21-A [e] above :

Nature of Transactions	USD- Thousands	INR- Thousands		
		As at December 31		
		2015	2016	2015
<b>Outstanding:</b>	<u>2016</u>			
<b>Receivable:</b>				
Mr. Sharad Govil	5	5	340	332

- C There are no transactions with the parties referred to in item no. 21 A [b & c]

**Zydus Noveltch Inc.**  
**Notes to the Financial Statements**

**Note: 22-Segment Information:**

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

**Note: 23-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, 2016 and 2015 are as under:

	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
Year				
2016	-	-	-	-
2017	-	12	-	770
<b>Total Commitments</b>	-	12	-	770
Lease payments recognised in the Statement of Profit and Loss	<b>71</b>	66	<b>4,771</b>	4,233

**Note: 24-Going Concern:**

The Company has investment in Hercon Pharmaceuticals LLC, a subsidiary company of the Company. The accumulated losses as at December 31, 2016 amounting to USD 14,705 [as at December 31, 2015: USD 11,684] 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: 25 Post reporting date events :**

Pursuant to the Share Purchase Agreement [SPA] entered into by the Zydus International Private Limited [ZIPL], Ireland on March 23, 2017 with Cadila Healthcare Limited [CHL] India, CHL had acquired all shares held by ZIPL in the company for Cash Consideration. Pursuant to this, company has become direct overseas subsidiary of CHL.

**Note: 26**

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 26 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 25, 2017

Director

**Zydus Novelttech Inc.**  
**Cash Flow Statement for the year ended December 31, 2016**

Particulars	USD- Thousands		INR- Thousands	
	Year ended December 31			
	2016	2015	2016	2015
<b>A Cash flows from operating activities:</b>				
Loss before tax	(2,109)	(399)	(1,41,724)	(25,592)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	4	5	269	321
Interest income	-	(1)	-	(64)
Total	4	4	269	257
Operating profit before working capital changes	(2,105)	(395)	(1,41,455)	(25,335)
Adjustments for:				
Decrease/ [Increase] in trade receivables	562	(53)	37,766	(3,399)
Decrease in short term advances	-	3	-	192
Decrease/ [Increase] in other current assets	13	(2)	873	(129)
Increase/ [Decrease] in trade payables	(93)	61	(6,249)	3,913
Increase/ [Decrease] in other current liabilities	(537)	464	(36,086)	29,761
Total	(55)	473	(3,696)	30,338
Net cash from [used] in operating activities	(2,160)	78	(1,45,151)	5,003
<b>B Cash flows from investing activities:</b>				
Purchase of property, plant and equipment	13	-	874	-
Proceeds from Margin Money Deposit	89	85	5,981	5,452
Advances to subsidiary	(4,457)	(4,361)	(2,99,510)	(2,79,715)
Interest received	-	1	-	64
Net cash used [from] in investing activities	(4,355)	(4,275)	(2,92,655)	(2,74,199)
<b>C Cash flows from financing activities:</b>				
Proceeds from non current borrowings	6,300	3,300	4,23,360	2,11,662
Net cash used [from] in financing activities	6,300	3,300	4,23,360	2,11,662
<b>Net decrease in cash and cash equivalents</b>	(215)	(897)	(14,446)	(57,534)
<b>Increase due to the translation to INR [Refer Note-3]</b>	-	-	869	3,234
<b>Cash and cash equivalents at the beginning of the year</b>	674	1,571	44,767	99,067
<b>Cash and cash equivalents at the end of the year</b>	459	674	31,190	44,767

**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