

Etna Biotech S.R.L.
Balance Sheet as at December 31, 2015

Particulars	Note No.	EUR - Thousands		INR - Thousands	
		As at December 31			
		2015	2014	2015	2014
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	90	90	6,537	6,867
Reserves and Surplus	2	211	169	15,323	12,923
		301	259	21,860	19,790
Non-Current Liabilities:					
Long Term Provisions	3	217	203	15,760	15,489
Other long term liabilities	4	214	119	15,543	9,080
		431	322	31,303	24,569
Current Liabilities:					
Trade Payables	5	44	545	3,196	41,584
Other Current Liabilities	6	126	7	9,151	534
		170	552	12,347	42,118
Total		902	1,133	65,510	86,477
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	7	104	77	7,554	5,876
Intangible Assets		5	5	363	382
		109	82	7,917	6,258
Long Term Loans and Advances	8	511	367	37,111	28,030
		620	449	45,028	34,288
Current Assets:					
Cash and Bank Balances	9	282	684	20,482	52,189
Total		902	1,133	65,510	86,477
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 18				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 12, 2016

For and on behalf of the Board

Director

Etna Biotech S.R.L.					
Statement of Profit and Loss for the year ended December 31, 2015					
Particulars	Note No.	EUR - Thousands		INR - Thousands	
		Year ended December 31			
		2015	2014	2015	2014
REVENUE:					
Revenue from Operations:					
Sale of Services		300	287	21,351	23,253
Other Operating Revenues	10	354	347	25,194	28,114
Total Revenue		654	634	46,545	51,367
EXPENSES:					
Employee Benefits Expense	11	335	332	23,842	26,899
Finance Costs	12	2	2	142	162
Depreciation, Amortisation and Impairment expenses		8	5	569	405
Other Expenses	13	267	177	19,002	14,341
Total Expenses		612	516	43,555	41,807
Profit for the year		42	118	2,990	9,560
		EUR		INR	
Basic & Diluted Earning per Equity Share [EPS]	14	46.67	131.11	3,322	10,622.22
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 18				
<u>As per our report of even date</u>		<u>For and on behalf of the Board</u>			
For Mukesh M. Shah & Co. Chartered Accountants Firm Registration Number: 106625W					
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 12, 2016		Director			

Etna Biotech S.R.L.

I-Company overview:

Etna Biotech S.R.L. is a Research Centre headquartered in Catania, Italy with key competencies in researching and developing vaccines and immunotherapeutic for infectious diseases and other chronic illnesses. Etna Biotech has been acquired in 2008 by Zydus International Private Limited, incorporated in the Republic of Ireland, which is a subsidiary of Cadila Healthcare Limited, India.

II-Significant Accounting Policies:

1 Basis of Accounting:

These financial statements were prepared in accordance with current legislation of Italy. The valuation criteria of financial statements have been prepared based on the principle of prudence and the time period principle on the assumption that the business is a going concern.

2 Reporting Currency Translations:

The local accounts are maintained in local and functional currency which is "EURO". 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 "EURO" 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 Use of Estimates:

The preparation of the financial statements in accordance with accounting practices adopted in Italy requires, the Management to make estimates and assumptions in respect of certain items like provisions for doubtful debts, impairment of fixed assets etc that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and reported amounts of revenues and expenses for the reporting period. Liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

4 Fixed Assets and Depreciation:

A Tangible Fixed Assets:

- a Tangible assets are recognized at historical cost, meaning by this term, the price paid to third parties for the purchase of property, inclusive of any directly allocable ancillary costs. Any costs incurred after acquisition are recognised as an increase in the carrying value of the element to which they refer, when generate future benefits in terms of production capacity, safety or useful lives.
- b All other costs are recognised to the Statement of Profit and Loss in the period in which they are incurred.
- c Depreciation is calculated in equal amounts.
- d The depreciation rates reflect the estimated useful life of the assets in accordance with tax law.
- e There were no accelerated depreciation.
- f Depreciation begins when the asset is ready for use and it ends when the asset is sold or fully amortized.

5 Revenue Recognition:

- A Revenue and Income from Services are recognised on an accrual basis.
- B Interest income is recognised on time proportionate basis.
- C Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exist.

6 Impairment of Assets:

The Company, at each balance sheet date, assesses whether there is any indication of impairment on any asset. If such indication exists, assets are impaired by comparing carrying amount of each asset to the recoverable amount being higher of the net selling price or value in use. Value in use is determined from the present value of the estimated future cash flow from the continuing use of the assets.

7 Provision for Employee Benefits:

This provision represents the debt accrued in respect of all employees in accordance with law and with current national labour contracts and includes all forms of remuneration that are paid out to employees on an ongoing basis.

8 Accounting for Government Grant:

Government grants are recognised in accordance with the terms of the respective grant on accrual basis considering the status of compliance of prescribed conditions and ascertainment that the grant will be received. Government grants related to revenue are recognised on a systematic and gross basis in the statement of Profit and Loss over the period during which the related costs intended to be compensated are incurred.

9 Accruals and deferrals:

These include items of cost and revenue that extend over two or more years, following accrual basis accounting principle.

10 Income taxes:

The taxes are allocated in accordance with the principle of competence :

- Provisions for taxes paid or to be paid for the period, determined in accordance with the rates and regulations.

Etna Biotech S.R.L.				
Notes to the Financial Statements				
	EUR - Thousands		INR - Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Authorised:				
900 [as at December 31, 2014: 900] Equity Shares of € 100/- each	90	90	6,537	6,867
	90	90	6,537	6,867
Issued, Subscribed and Paid-up:				
900 [as at December 31, 2014: 900] Equity Shares of € 100/- each	90	90	6,537	6,867
Total	90	90	6,537	6,867
A There is no change in the number of shares as at the beginning and end of the year. Number of shares at the end of year	900	900		
B The Company has only equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of € 100/- 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 % to total share holding	900 100%	900 100%		
Note: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet			(872)	
Add/ [Less]: Exchange differences on translation to Indian Rupee			(590)	(872)
	0	0	(1,462)	(872)
Surplus in Statement of Profit and Loss:				
Balance as per last Balance Sheet	169	51	13,795	4,235
Add: Profit for the year	42	118	2,990	9,560
Balance as at the end of the year	211	169	16,785	13,795
Total	211	169	15,323	12,923
Note :3-Long Term Provisions:				
Provision for Employee Benefits	202	188	14,671	14,344
Other long term provisions	15	15	1,089	1,145
Total	217	203	15,760	15,489
Note :4-Other Long Term Liabilities:				
Others	214	119	15,543	9,080
Total	214	119	15,543	9,080
Note: 5-Trade Payables:				
Trade Payables	44	545	3,196	41,584
Total	44	545	3,196	41,584
Note: 6-Other Current Liabilities:				
Provision for expense	126	7	9,151	534
Total	126	7	9,151	534

Etna Biotech S.R.L.
Notes to the Financial Statements

Note: 7-Fixed Assets:

	Tangible Assets						Intangible Assets	
	EUR - Thousands			INR - Thousands			Eur K	INR K
	Plant and Equipment	Furniture & Fixtures	Total	Plant and Equipment	Furniture & Fixtures	Total	Technical Knowhow	Technical Knowhow
Tangible Assets:								
Gross Block:								
As at December 31, 2013	4	190	194	330	15,662	15,992	-	-
Additions		11	11	-	839	839	5	382
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	(25)	(1,164)	(1,189)	-	-
As at December 31, 2014	4	201	205	305	15,337	15,642	5	382
Additions	1	34	35	73	2,469	2,542	-	-
Disposals						0		
Other adjustments				(15)	(737)	(752)		(19)
As at December 31, 2015	5	235	240	363	17,069	17,432	5	363
Depreciation and Impairment:								
As at December 31, 2013	1	122	123	82	10,056	10,138	-	-
Charge for the year		5	5	-	405	405	-	-
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	(6)	(771)	(777)	-	-
As at December 31, 2014	1	127	128	76	9,690	9,766	-	-
Charge for the year		8	8	-	569	569	-	-
Disposals								
Other adjustments				(3)	(454)	(457)		
As at December 31, 2015	1	135	136	73	9,805	9,878	-	-
Net Block:								
As at December 31, 2014	3	74	77	229	5,647	5,876	5	382
As at December 31, 2015	4	100	104	290	7,264	7,554	5	363

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

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

Note: 8-Long Term Loans and Advances:

[Unsecured - Considered good]				
Capital Advances [Eur 367 as at Dec 31, 2015 and Dec 31, 2014]	0	0	27	28
Others: Considered good	-	1	-	76
Balances with Revenue Authorities	511	366	37,084	27,926
Advances recoverable in cash or kind or for value to be received	-	-	-	-
Total	511	367	37,111	28,030

Note: 9-Cash and Bank Balances:

Balances with Banks	282	684	20,482	52,189
Total	282	684	20,482	52,189

Etna Biotech S.R.L.				
Notes to the Financial Statements				
	EUR - Thousands		INR - Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 10-Other Operating Revenue:				
Government Grants [Refer Note : 18]	354	347	25,194	28,114
Total	354	347	25,194	28,114
Note: 11-Employee Benefits Expense:				
Salaries and wages	235	235	16,725	19,040
Contribution to provident and other funds	92	90	6,548	7,292
Staff welfare expenses	8	7	569	567
Total	335	332	23,842	26,899
Note: 12-Finance Cost:				
Bank commission & charges	2	2	142	162
Total	2	2	142	162
Note: 13-Other Expenses:				
Rent	38	37	2,704	2,998
Research Materials	61	41	4,341	3,322
Repairs and Maintenance	4		285	-
Traveling Expenses	4	5	285	405
Legal and Professional Fees	8	8	569	648
Miscellaneous expenses	152	86	10,818	6,968
Total	267	177	19,002	14,341
Above expenses includes Research related expenses as follows:				
Research Materials	61	41	4,341	3,322
Note: 14-Calculation of Earnings per Equity Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Profit attributable to Shareholders	42	118	2,990	9,560
B Basic & weighted average number of Equity shares outstanding during year	900	900	900	900
	EUR		INR	
C Nominal value of equity share	100	100	3,322.22	10,622.22
D Basic & Diluted EPS	46.67	131.11	3,322.22	10,622.22
Note: 15-Related Party Transactions:				
A Name of the related parties and nature of the related party relationship:				
a Holding Company:	Zydus International Private Limited			
b Ultimate Holding Company:	Cadila Healthcare Limited			
c Fellow Subsidiary Companies:				
Dialforhealth India Limited	Zydus Healthcare (USA) LLC [USA]			
Dialforhealth Unity Limited	Zydus Noveltech Inc. [USA]			
Dialforhealth Greencross Limited	Hercon Pharmaceuticals LLC [USA]			
German Remedies Limited	Script Management Services (Pty) Ltd [South Africa]			
Liva Pharmaceuticals Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]			
Zydus Wellness Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Zydus Technologies Limited	Zydus Pharma Japan Co. Ltd. [Japan]			
Biochem Pharmaceutical Industries Limited	Laboratorios Combix S.L. [Spain]			
Alidac Pharmaceuticals Limited [Earlier Known as Zydus BSV Pharma Private Limited]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
M/s. Zydus Healthcare, a Partnership Firm	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Zydus Lanka (Private) Limited [Sri Lanka]	ZAHL B.V. [the Netherlands]			
Zydus Netherlands B.V. [the Netherlands]	ZAHL Europe B.V. [the Netherlands]			
Zydus France, SAS [France]	Bremer Pharma GmbH [Germany]			
Zydus Healthcare Philippines Inc [Philippines]	Zydus Worldwide DMCC [Dubai]			
Zydus Pharmaceuticals (USA) Inc. [USA]	Zydus Discovery DMCC [Dubai]			
Nesher Pharmaceuticals (USA) LLC [USA]				
d Directors :				
Mr. Reinhard Glueck	Mr. David Robert Blanksby	Mr. Pradip Solanki		

Etna Biotech S.R.L.
Notes to the Financial Statements

Note: 15-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 15 – A – [b]

	Value of Transactions			
	EUR - Thousands		INR - Thousands	
	Year ended December 31			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Sales				
Services:				
Cadila Healthcare Limited	300	287	21,351	23,253

b There are no transactions with the parties referred to in item no. 15 - A [a, c and d]

Note: 16-Segment Information:

There is only one segment namely "Pharma Research".

Note: 17

The Company has been awarded grants for two R & D projects by the European Union Authorities and for one project by Sicily Region Authorities. The Company has right to receive Grant from the Authorities and has obligation to carry out R&D activities on the said three projects and incur expenses for the projects. As on 31st December, 2015, the Company is eligible to receive the maximum grant of Eur 1677 K on the said three projects, subject to fulfillment of the conditions attached to the Grant.

Note: 18

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

Signatures to Significant Accounting Policies and Notes 1 to 18 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 12, 2016

For and on behalf of the Board

Director