

Nesher Pharmaceuticals (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	10	10	664	631
Reserves and Surplus	2	(52,113)	(35,203)	(3,461,343)	(2,219,900)
		(52,103)	(35,193)	(3,460,679)	(2,219,269)
Non-Current Liabilities:					
Long Term Borrowings	3	103,000	88,000	6,841,260	5,549,280
Current Liabilities:					
Trade Payables	4	4,174	3,828	277,237	241,394
Other Current Liabilities	5	1,013	857	67,283	54,042
		5,187	4,685	344,520	295,436
Total		56,084	57,492	3,725,101	3,625,447
ASSETS:					
Non-Current Assets:					
Fixed Assets:	6				
Tangible Assets		42,146	43,639	2,799,338	2,751,877
Intangible Assets		946	1,089	62,833	68,672
Capital work-in-progress		1,679	1,332	111,519	83,996
		44,771	46,060	2,973,690	2,904,545
Current Assets:					
Inventories	7	8,274	7,067	549,560	445,645
Cash and Bank Balances	8	136	384	9,033	24,215
Trade Receivable	9	2,031	3,136	134,899	197,756
Other Current Assets	10	872	845	57,919	53,286
		11,313	11,432	751,411	720,902
Total		56,084	57,492	3,725,101	3,625,447
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 22				

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:	11				
Sale of Products		35,166	36,009	2,255,547	2,197,629
Other operating Revenues		55	945	3,528	57,673
Net Revenue from operations		35,221	36,954	2,259,075	2,255,302
Other Income	12	216	144	13,854	8,788
Total Revenue		35,437	37,098	2,272,929	2,264,090
EXPENSES:					
Cost of Materials Consumed	13	13,966	10,893	881,184	648,502
Changes in Inventories of Finished goods and Work-in-progress	14	(1,834)	1,983	(129,536)	111,691
Employee Benefits Expense	15	17,541	14,725	1,125,079	898,666
Finance Costs	16	1,872	2,231	120,070	136,158
Depreciation, Amortisation and Impairment expenses	6	4,040	3,728	259,125	227,519
Other Expenses	17	16,762	15,174	1,075,116	926,069
Total Expenses		52,347	48,734	3,331,038	2,948,605
Loss for the year		(16,910)	(11,636)	(1,058,109)	(684,515)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 22				

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

For Zydus Pharmaceuticals (USA) Inc.

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

Director & Representative

Nesher Pharmaceuticals (USA) LLC

I-Company overview:

Nesher Pharmaceuticals (USA) LLC (the Company) was incorporated originally by name of Zynesher Pharmaceuticals (USA) LLC on May 17, 2011 to acquire the assets and liabilities of Nesher Pharmaceuticals (USA) Inc. Subsequent to acquisition of assets and liabilities, name of the company was changed to Nesher Pharmaceuticals (USA) LLC. The company is in the business of manufacture, research and development of generic pharmaceutical products in the United States of America. The corporate office is located at Bridgton, Missouri.

II-Significant Accounting Policies:

1 Basis of Accounting:

The financial statements are prepared on the "accrual basis" of accounting in conformity with accounting principles generally accepted in the United States of America. 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 are 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 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 Property and Equipment:

- a Property and equipment are stated at cost less accumulated depreciation.
- b Depreciation on property and equipment is provided using the straight-line method over the estimated useful lives of the related assets.
- c The estimated useful lives of the related assets range from 3 to 39.5 years.

5 Intangible Assets:

The Company periodically reviews carrying value of intangible assets not subject to amortization, to determine whether impairment may exist. Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 142, intangible assets be assessed annually for impairment using fair value measurement techniques.

6 Inventories:

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out (FIFO) basis. The company establishes reserves for its inventory to reflect situations in which the cost of the inventory is not expected to be recovered. In evaluating whether inventory is stated at the lower of cost or market value, management considers such factors as the amount of inventory on hand; estimated time required to sell such inventory, remaining shelf life and current and expected market conditions, including level of competition. The company records provisions for the inventory reserves as part of cost of sales.

7 Revenue Recognition:

Revenues from sales of products are recognized at the time of delivery and when title and risk of loss passes to the customer. Recognition of revenue also requires reasonable assurance of collection of sales proceeds and completion of all performance obligations. Sales discounts are issued to customers as direct discounts at the point-of-sale indirectly or through intermediary wholesaler, known as chargebacks, or indirectly in the form of rebates. Revenues are recorded net of provisions for sales discount and returns, which are established at the time of sale, 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 a direct reduction to accounts receivable and revenues.

8 Research and Development Cost:

Research and development costs are expensed as incurred. These expenses include the costs of the company's own research and development efforts, as well as costs incurred in connection with the company's third party collaborations efforts.

9 Income Tax:

- a The company records income tax using the asset-and-liability method.
- b Deferred tax assets and liabilities are recognized for the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided for the portion of deferred tax assets when, based on available evidence, it is not "more-likely-than-not" that a portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rate and laws. The company's effective tax rate was 34.08% and 43.31% for years ended December 31, 2015 and 2014. The future effective income tax rate depends on various factors, such as the company's income/ (loss) before taxes, tax legislation and the geographic composition of the pre-tax income.

10 Employee Benefit Plan:

The company participates in a savings plan under section 401(k) of the Internal Revenue Code covering all eligible employees. The plan provides that the company can make matching contributions, which is equivalent to the employee's contributions subject to a maximum of 5% of the gross pay of the employee. All qualifying matching contributions are 100% vested at the completion of five years of service by an employee and are subject to certain withdrawal restrictions.

11 Legal Settlements and Proceedings:

The company is involved in, or has been involved in, legal proceedings that arise from the normal course of business. The company cannot predict the timing or outcome of these claims and other proceedings. Currently, the company is not involved in any arbitration and/ or other legal proceedings that it expects to have a material effect on the business, financial consolidation, results of operations or liquidity of the company. All legal cost is expensed as incurred.

II-Significant Accounting Policies-Continued:**12 Product Liability:**

Accruals for product liability claims are recorded, on an undiscounted basis, when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated based on existing information. The accruals are adjusted periodically as additional information becomes available. For the year ended December 31, 2015, there were no product liability claims made by the company.

13 Cash and cash equivalents:

The company considers all highly-liquid investments (including money market funds) with an original maturity at acquisition of three months or less to be cash equivalents. The company maintains cash balances, which may exceed federally insured limits. The company does not believe that this results in any significant credit risk.

14 Accounts Receivable:

The company extends credit to clients based upon management's assessment of their credit worthiness on an unsecured basis. The company provides an allowance for uncollectible accounts based on historical experience and management evaluation of trend analysis. The allowances for uncollectible accounts as of December 31, 2015 and 2014 were USD Nil and USD Nil respectively.

15 Sales Returns and Allowances:

At the time of sale, the company simultaneously records estimates for various costs, which reduce product sales. These costs include estimates for price adjustment, products returns, rebates, including Medicaid rebates, prompt payment discounts and other sales allowances. In addition, the company records allowances for shelf-stock adjustments when the conditions so warrant. Estimates for sales allowances such as product returns and rebates are based on variety of factors including actual returns experience of that product or similar products, rebate arrangements for each product, and estimated sales by our wholesale customers to other third parties who have contracts with the company. Actual experience associated with any of these items may be different than the company's estimates. The company regularly reviews the factors that influence its estimates and, if necessary, makes adjustments when it believes that actual product returns, credits and other allowances may differ from established reserves.

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

	USD – Thousands		INR – Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Capital Contribution of a sole member	10	10	664	631
	10	10	664	631
Capital Contribution of USD 10,000/- is from Sole member Zydus Pharmaceuticals (USA) Inc., a company incorporated in the United States of America, which is a subsidiary company of Zydus International Private Limited, 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: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet	-	-	(122,779)	-
[Less]: Exchange Rate differences on translation to INR	-	-	(60,555)	(122,779)
	-	-	(183,334)	(122,779)
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(35,203)	(23,567)	(2,219,900)	(1,412,606)
Add: Loss for the year	(16,910)	(11,636)	(1,058,109)	(684,515)
Balance as at the end of the year	(52,113)	(35,203)	(3,278,009)	(2,097,121)
Total	(52,113)	(35,203)	(3,461,343)	(2,219,900)
Note: 3-Long Term Borrowings:				
Unsecured loan from a related party [*]	103,000	88,000	6,841,260	5,549,280
Total	103,000	88,000	6,841,260	5,549,280
[*] Loan from Zydus Pharmaceuticals (USA) Inc. [ZPUI]. Interest will be paid at the end of interest period i.e. six months from the date of disbursement. Interest will be payable at 2.2% p.a. plus applicable LIBOR on outstanding amount. The loan will be repaid at the end of 36th, 48th, 60th and 72nd month from the date of disbursement, or as may be called up by ZPUI by giving notice of 30 days for repayment. ZPUI at its sole discretion can relax the repayment schedule.				
Note: 4-Trade Payables:				
Trade Payables	4,174	3,828	277,237	241,394
Total	4,174	3,828	277,237	241,394
Note: 5-Other Current Liabilities:				
Provision for Expenses	1,013	857	67,283	54,042
Total	1,013	857	67,283	54,042

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 6-Fixed Assets:

A Tangible Assets:

	Freehold Land	Buildings	Plant and Equipment	Furniture and Fixtures	Vehicles	<u>Total</u>
	US Dollar Thousands					
Gross Block:						
As at December 31, 2013	3,607	14,651	27,382	946	14	46,600
Additions	-	6,494	1,711	-	-	8,205
Disposals	-	-	(11)	(3)	-	(14)
Other adjustments	(60)	60	-	-	-	-
As at December 31, 2014	3,547	21,205	29,082	943	14	54,791
Additions		1,965	384			2,349
Disposals						-
Other adjustments						-
As at December 31, 2015	3,547	23,170	29,466	943	14	57,140
Depreciation and Impairment:						
As at December 31, 2013	70	697	6,553	279	6	7,605
Charge for the year	16	408	3,004	117	2	3,547
Disposals	-	-	-	-	-	-
Other adjustments	(32)	32	-	-	-	-
As at December 31, 2014	54	1,137	9,557	396	8	11,152
Charge for the year	16	554	3,151	118	3	3,842
Disposals						-
Other adjustments						-
As at December 31, 2015	70	1,691	12,708	514	11	14,994
Net Block:						
As at December 31, 2014	3,493	20,068	19,525	547	6	43,639
As at December 31, 2015	3,477	21,479	16,758	429	3	42,146
						INR Thousands
Gross Block:						
As at December 31, 2013	216,204	878,181	1,641,277	56,703	839	2,793,204
Additions	-	396,329	104,422	-	-	500,751
Disposals	-	-	(671)	(183)	-	(854)
Other adjustments	7,470	62,677	88,883	2,946	44	162,020
As at December 31, 2014	223,674	1,337,187	1,833,911	59,466	883	3,455,121
Additions	-	126,035	24,630	-	-	150,665
Disposals	-	-	-	-	-	-
Other adjustments	11,918	75,729	98,591	3,168	47	189,453
As at December 31, 2015	235,592	1,538,951	1,957,132	62,634	930	3,795,239
Depreciation and Impairment:						
As at December 31, 2013	4,196	41,778	392,787	16,723	360	455,844
Charge for the year	976	24,900	183,335	7,141	122	216,474
Disposals	-	-	-	-	-	-
Other adjustments	(1,767)	5,021	26,542	1,108	22	30,926
As at December 31, 2014	3,405	71,699	602,664	24,972	504	703,244
Charge for the year	1,026	35,534	202,105	7,569	192	246,426
Disposals	-	-	-	-	-	-
Other adjustments	218	5,083	39,296	1,599	35	46,231
As at December 31, 2015	4,649	112,316	844,065	34,140	731	995,901
Net Block:						
As at December 31, 2014	220,269	1,265,488	1,231,247	34,494	379	2,751,877
As at December 31, 2015	230,943	1,426,635	1,113,067	28,494	199	2,799,338

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

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 6-Fixed Assets-Continued:

B Intangible Assets:

	Brands/ Trademarks	Computer Software	<u>Total</u>
US Dollar Thousands			
Gross Block:			
As at December 31, 2013	1,000	480	1,480
Additions	-	139	139
Disposals	-	-	-
Other adjustments	-	-	-
As at December 31, 2014	1,000	619	1,619
Additions		55	55
Disposals			-
Other adjustments			-
As at December 31, 2015	1,000	674	1,674
Amortisation and Impairment:			
As at December 31, 2013	161	188	349
Charge for the year	67	114	181
Disposals	-	-	-
Other adjustments	-	-	-
As at December 31, 2014	228	302	530
Charge for the year	67	131	198
Disposals			-
Other adjustments			-
As at December 31, 2015	295	433	728
Net Block:			
As at December 31, 2014	772	317	1,089
As at December 31, 2015	705	241	946
INR Thousands			
Gross Block:			
As at December 31, 2013	59,940	28,771	88,711
Additions	-	8,483	8,483
Disposals	-	-	-
Other adjustments	3,120	1,780	4,900
As at December 31, 2014	63,060	39,034	102,094
Additions	-	3,528	3,528
Disposals	-	-	-
Other adjustments	3,360	2,205	5,565
As at December 31, 2015	66,420	44,767	111,187
Amortisation and Impairment:			
As at December 31, 2013	9,650	11,269	20,919
Charge for the year	4,089	6,957	11,046
Disposals	-	-	-
Other adjustments	639	818	1,457
As at December 31, 2014	14,378	19,044	33,422
Charge for the year	4,297	8,402	12,699
Disposals	-	-	-
Other adjustments	919	1,314	2,233
As at December 31, 2015	19,594	28,760	48,354
Net Block:			
As at December 31, 2014	48,682	19,990	68,672
As at December 31, 2015	46,826	16,007	62,833

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

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

	USD – Thousands		INR – Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 7-Inventories:				
[The Inventory is valued at lower of cost and net realisable value]				
Classification of Inventories:				
Raw Materials	4,142	4,769	275,112	300,733
Work-in-progress	2,135	2,048	141,807	129,147
Finished Goods	1,997	250	132,641	15,765
Total	8,274	7,067	549,560	445,645
Note: 8-Cash and Bank Balances:				
Balances with Banks	136	384	9,033	24,215
Total	136	384	9,033	24,215
Note: 9-Trade Receivables:				
Others- Considered Good [Unsecured]	2,031	3,136	134,899	197,756
Total	2,031	3,136	134,899	197,756
Note: 10-Other Current Assets:				
Prepaid Expenses	718	826	47,690	52,088
Other Current Assets	154	19	10,229	1,198
Total	872	845	57,919	53,286
	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 11-Revenue from Operations:				
Sale of Pharmaceutical products	35,166	36,009	2,255,547	2,197,629
Other Operating Revenues:				
Royalty Income	55	103	3,528	6,286
Miscellaneous Income	-	842	-	51,387
Total	55	945	3,528	57,673
Total	35,221	36,954	2,259,075	2,255,302
Note: 12-Other Income:				
Rent Income	216	144	13,854	8,788
Total	216	144	13,854	8,788
Note: 13-Cost of Materials Consumed:				
Raw Materials:				
Stock at commencement	4,769	6,071	300,733	363,896
Add: Purchases	13,339	9,591	855,563	585,339
	18,108	15,662	1,156,296	949,235
Less: Stock at close	4,142	4,769	275,112	300,733
Total	13,966	10,893	881,184	648,502
Note: 14-Changes in Inventories:				
Stock at commencement:				
Work-in-progress	2,048	2,680	129,147	160,639
Finished Goods	250	1,601	15,765	95,964
	2,298	4,281	144,912	256,603
Less: Stock at close:				
Work-in-progress	2,135	2,048	141,807	129,147
Finished Goods	1,997	250	132,641	15,765
	4,132	2,298	274,448	144,912
Total	(1,834)	1,983	(129,536)	111,691

Nesher Pharmaceuticals (USA) LLC				
Notes to the Financial Statements				
	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 15-Employee Benefit Expense:				
Salaries and wages	14,096	11,639	904,117	710,328
Contribution to provident and other funds	3,401	3,042	218,140	185,653
Staff welfare expenses	44	44	2,822	2,685
Total	17,541	14,725	1,125,079	898,666
Above expenses includes Research related expenses as follows:				
Salaries and wages	2,776	2,102	178,053	128,285
Contribution to provident and other funds	596	421	38,227	25,694
Total	3,372	2,523	216,280	153,979
Note: 16-Finance Cost:				
Interest expense - on term loans	1,263	1,481	81,009	90,385
Bank commission and charges	609	750	39,061	45,773
Total	1,872	2,231	120,070	136,158
Note: 17-Other Expenses:				
Research Material	2,007	1,543	128,729	94,169
Consumption of Stores and spare parts	2,177	3,752	139,633	228,985
Power & fuel	1,764	1,610	113,143	98,258
Rent	132	132	8,466	8,056
Repairs to Buildings	486	236	31,172	14,403
Repairs to Plant and Machinery	318	193	20,397	11,779
Insurance	269	253	17,254	15,441
Rates and Taxes [excluding taxes on income]	749	907	48,041	55,354
Traveling expenses	111	148	7,120	9,032
Legal and professional fees	2,898	2,184	185,878	133,290
Freight and forwarding on sales	656	772	42,076	47,115
Net Loss on sale/ disposal of Fixed Assets	58	3	3,720	183
Miscellaneous Expenses	5,137	3,441	329,487	210,004
Total	16,762	15,174	1,075,116	926,069
Above expenses includes Research related expenses as follows:				
Research Materials	2,007	1,543	128,729	94,169
Consumption of Stores and Spares	329	345	21,102	21,055
Repairs to Building	2	16	128	976
Repairs to Plant and Machinery	4	72	257	4,394
Traveling Expenses	9	30	577	1,831
Legal and Professional fees	1,057	410	67,796	25,022
Others	650	417	41,691	25,450
Total	4,058	2,833	260,280	172,897
Note: 18-Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company: Zydus Pharmaceuticals (USA) Inc.				
b Holding Company of Holding Company: Zydus International Private Limited [Ireland]				
c Ultimate Holding Company: Cadila Healthcare Limited [India]				
d Fellow Subsidiaries:				
Dialforhealth India Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Dialforhealth Unity Limited	Zydus Pharma Japan Co. Ltd. [Japan]			
Dialforhealth Greencross Limited	Etna Biotech S.R.L. [Italy]			
German Remedies Limited	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
Zydus Wellness Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Liva Pharmaceuticals Limited	Zydus Noveltech Inc. [USA]			
Zydus Technologies Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Biochem Pharmaceutical Industries Limited	Script Management Services (Pty) Ltd [South Africa]			
Alidac Pharmaceuticals Limited [Earlier Known as Zydus BSV Pharma Private Limited]	Zydus Healthcare S.A. (Pty) Ltd [South Africa]			
M/s. Zydus Healthcare, a Partnership Firm	Hercon Pharmaceuticals LLC [USA]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	ZAHL B.V. [the Netherlands]			
Zydus Lanka (Private) Limited [Sri Lanka]	ZAHL Europe B.V. [the Netherlands]			
Zydus Netherlands B.V. [the Netherlands]	Bremer Pharma GmbH [Germany]			
Zydus Healthcare (USA) LLC [USA]	Zydus Healthcare Philippines Inc. [Philippines]			
Zydus France, SAS [France]	Zydus Worldwide DMCC [Dubai]			
Laboratorios Combix S.L. [Spain]	Zydus Discovery DMCC [Dubai]			

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 18-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 18-A [a & c]

Nature of Transactions	Value of the Transactions [USD Thousands]			
	Holding company		Ultimate Holding company	
	Year ended December 31			
	2015	2014	2015	2014
Sales:				
Goods:				
Cadila Healthcare Limited			3	39
Zydus Pharmaceuticals (USA) Inc.	35,155	35,970		
Asset:				
Cadila Healthcare Limited			535	
Inter Corporate Loan Received				
Zydus Pharmaceuticals (USA) Inc.	15,000			
Finance:				
Interest Paid:				
Zydus Pharmaceuticals (USA) Inc.	1,263	1,481		
Bank Guarantee Commission Paid:				
Zydus Pharmaceuticals (USA) Inc.	609	750		
		As at December 31		
Outstanding:	2015	2014	2015	2014
Payable:				
Zydus Pharmaceuticals (USA) Inc.	103,000	88,000		
Receivable:				
Zydus Pharmaceuticals (USA) Inc.	2,031	3,136		

Nature of Transactions	Value of the Transactions [INR Thousands]			
	Holding company		Ultimate Holding company	
	Year ended December 31			
	2015	2014	2015	2014
Sales:				
Goods:				
Cadila Healthcare Limited			192	2,380
Zydus Pharmaceuticals (USA) Inc.	2,254,842	2,195,249		
Asset:				
Cadila Healthcare Limited			34,315	
Inter Corporate Loan Received				
Zydus Pharmaceuticals (USA) Inc.	962,100			
Finance:				
Interest Paid:				
Zydus Pharmaceuticals (USA) Inc.	81,009	90,385		
Bank Guarantee Commission Paid:				
Zydus Pharmaceuticals (USA) Inc.	39,061	45,773		
		As at December 31		
Outstanding:	2015	2014	2015	2014
Payable:				
Zydus Pharmaceuticals (USA) Inc.	6,841,260	5,549,280		
Receivable:				
Zydus Pharmaceuticals (USA) Inc.	134,899	197,756		

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

Note: 19-Segment Information:

There is only one primary segment namely "Pharmaceutical Products".

Note: 20-Operating Lease:

The Company has entered into an Operating Lease for its manufacturing and warehousing requirement, lease expiring through 2016.

The future minimum rental payments under the lease agreement for the year ended December 31, 2015 and 2014 are as under:

	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Year				
2015		132	-	8,056
2016	132	132	8,466	8,056
Total Commitments	132	264	8,466	16,112
Lease payments recognised in the Statement of Profit and Loss	132	132	8,466	8,056

Nesher Pharmaceuticals (USA) LLC
Notes to the Financial Statements

Note: 21-Going Concern:

The company has a negative equity of \$ 52,103 Thousand and 35,193 Thousand at the end December 31, 2015 and 2014 respectively. 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 holding company Zydus Pharmaceuticals (USA) Inc 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. Further, its holding company Zydus Pharmaceuticals (USA) Inc. has positive equity as at December 31, 2015.

Note: 22

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 22 to the Financial Statements

As per our report of even date

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

For Zydus Pharmaceuticals (USA) Inc.

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

Director & Representative

Nesher Pharmaceuticals (USA) LLC
Cash Flow Statement for the year ended December 31, 2015

Particulars	USD – Thousands		INR – Thousands	
	USD – Thousands			
	2015	2014	2015	2014
A Cash flows from operating activities:				
Loss before tax	(16,910)	(11,636)	(1,058,109)	(684,515)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	4,040	3,728	259,126	227,520
Loss on sale of assets [Net]	58	3	3,720	183
Interest expenses	1,263	1,481	81,009	90,385
Total	5,361	5,212	343,855	318,088
Operating profit before working capital changes	(11,549)	(6,424)	(714,254)	(366,427)
Adjustments for:				
Decrease/ [Increase] in trade receivables	1,105	(3,136)	70,875	(191,390)
Decrease/ [Increase] in inventories	(1,207)	3,285	(77,417)	200,484
Decrease/ [Increase] in other current assets	(27)	573	(1,732)	34,970
Increase/ [Decrease] in trade payables	346	(127)	22,192	(7,751)
Increase/ [Decrease] in other current liabilities	156	(14,627)	10,006	(892,686)
Total	373	(14,032)	23,924	(856,373)
Net cash from [used] operating activities	(11,176)	(20,456)	(690,330)	(1,222,800)
B Cash flows from investing activities:				
Purchase of fixed assets	(2,751)	(5,970)	(176,449)	(364,349)
Proceeds from sale of fixed assets	(58)	11	(3,720)	671
Net cash used [from] in investing activities	(2,809)	(5,959)	(180,169)	(363,678)
C Cash flows from financing activities:				
Proceeds from Long Term Borrowings	15,000	28,000	962,100	1,708,840
Interest paid	(1,263)	(1,481)	(81,009)	(90,385)
Net cash used [from] in financing activities	13,737	26,519	881,091	1,618,455
Net increase in cash and cash equivalents	(248)	104	10,592	31,977
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	(25,774)	(24,545)
Cash and cash equivalents at the beginning of the year	384	280	24,215	16,783
Cash and cash equivalents at the end of the year	136	384	9,033	24,215

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR"

As per our report of even date

For Zydus Pharmaceuticals (USA) Inc.

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

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

Director & Representative