

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF HERCON PHARMACEUTICALS LLC,

We have audited the accompanying financial statements of **HERCON PHARMACEUTICALS LLC**, ("the Company") which comprise the Balance Sheet as at 31st December, 2014 and the Statement of Profit for the year ended on that date and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Company in accordance with the accounting principles and the Accounting Standards generally accepted in the respective country i.e. United States of America [USA]. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our broad review. We conducted the review of these financial statements in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We have not conducted any detailed audit procedures of these financial statements. However, we have carried out broad review of the certified financial statements as submitted by the management in accordance with the preceding paragraph. We believe that our broad review of financials provides a reasonable basis for our opinion. We also believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in USA:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2014; and
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date.

Report on Other Legal and Regulatory Requirements

Further to our comments in the annexure referred to above, we report that:

- (i) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) The accounts and financial statements duly prepared and certified by the Management in accordance with the accounting standards generally accepted and prevalent in USA. The accounts have been verified and reviewed by to us for our review and have been appropriately verified and reviewed by us in preparing and submitting our report thereon.
- (iii) The Balance Sheet and the Statement of Profit and Loss dealt with by this Report are in agreement with the books of account.
- (iv) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements including Balance Sheet and statement of Profit and Loss dealt with by this report comply with the accounting standards generally accepted in USA.

- (v) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- a. The Company does not have any pending litigations which would impact its financial position.
 - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c. Since the Company is incorporated outside India, this clause regarding reporting on amounts which were required to be transferred to the Investor Education and Protection Fund by the Company is not applicable.

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration No. 106625W

Ahmedabad

Date: 14th May, 2015

Partner
[Chandresh S. Shah]
Membership No.: 042132

Hercon Pharmaceuticals LLC
Balance Sheet as at December 31, 2014

Particulars	Note No.	USD – Thousands		INR – Thousands	
		As at December 31			
		2014	2013	2014	2013
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	100	100	6,306	5,994
Reserves and Surplus	2	(7,432)	(4,550)	(468,634)	(272,712)
		(7,332)	(4,450)	(462,328)	(266,718)
Non-Current Liabilities:					
Long Term Borrowings	3	12,866	9,394	811,330	563,076
Current Liabilities:					
Trade Payables	4	258	481	16,269	28,831
Other Current Liabilities	5	370	517	23,332	30,989
		628	998	39,601	59,820
Total		6,162	5,942	388,603	356,178
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	6	2,563	2,478	161,623	148,531
Intangible Assets		46	46	2,901	2,757
Capital work-in-progress		378	262	23,837	15,705
		2,987	2,786	188,361	166,993
Long Term Loans and Advances	7	212	-	13,369	-
		3,199	2,786	201,730	166,993
Current Assets:					
Inventories	8	1,475	1,404	93,013	84,155
Trade Receivables	9	1,157	1,161	72,960	69,590
Cash and Bank Balances	10	86	381	5,450	22,853
Other Current Assets	11	245	210	15,450	12,587
		2,963	3,156	186,873	189,185
Total		6,162	5,942	388,603	356,178
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 Noveltel Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 14, 2015

Director & Representative

Hercon Pharmaceuticals LLC
Statement of Profit and Loss for the year ended December 31, 2014

Particulars	Note No.	USD – Thousands		INR – Thousands	
		Year ended December 31			
		2014	2013	2014	2013
REVENUE:					
Revenue from Operations:					
Sale of Pharmaceutical products		1,996	1,854	121,816	111,129
Other Operating Revenues	12	1,619	610	98,808	36,563
Total Revenue		3,615	2,464	220,624	147,692
EXPENSES:					
Cost of Materials Consumed	13	671	1,032	39,176	60,686
Changes in Inventories of Finished goods and Work-in-progress	14	327	(121)	17,207	(12,711)
Employee Benefits Expense	15	2,701	2,635	164,842	157,942
Finance Costs	16	219	139	13,366	8,332
Depreciation, Amortisation and Impairment expenses	6	375	367	22,886	21,998
Other Expenses	17	2,204	2,109	134,508	137,813
Total Expenses		6,497	6,161	391,985	374,060
Loss for the year		(2,882)	(3,697)	(171,361)	(226,368)
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 Noveltech Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 14, 2015

Director & Representative

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 Noveltch, 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 Reserves and Surplus.
- 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 ongoing 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 60-120 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. At December 31, 2014, the allowance was zero.
- 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.

II-Significant Accounting Policies-Continued::**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.

13 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.

Hercon Pharmaceuticals LLC
Notes to the Financial Statements

	USD – Thousands		INR – Thousands	
	As at December 31			
	2014	2013	2014	2013
Note: 1-Share Capital:				
Capital Contribution of a sole member	100	100	6,306	5,994
	100	100	6,306	5,994
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, 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	-	-	-	-
[Less]: Exchange Rate differences on translation to INR	-	-	(24,561)	-
	-	-	(24,561)	-
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(4,550)	(853)	(272,712)	(46,344)
Add: Loss for the year	(2,882)	(3,697)	(171,361)	(226,368)
Balance as at the end of year	(7,432)	(4,550)	(444,073)	(272,712)
Total	(7,432)	(4,550)	(468,634)	(272,712)
[*] Hitherto, the gain/ loss arising on the translation of the Financial Statements to INR was given effect into Statement of Profit and Loss. However, from the year under report, it is now included in "Foreign Currency Translation Reserve" [FCTR] under Reserves and Surplus. Consequent to this change, loss for the year [in INR conversion only] is lower by INR 24,572 Thousands, with a corresponding effect in "Reserves and Surplus".				
Note: 3-Long Term Borrowings:				
Unsecured loan from a related party - Zydus Noveltech Inc., Holding Company [applicable interest rate in the range of 0.8605 to Daily LIBOR plus 100 bps]	12,866	9,394	811,330	563,076
Total	12,866	9,394	811,330	563,076
Note: 4-Trade Payables:				
Trade payables	258	481	16,269	28,831
Total	258	481	16,269	28,831
Note: 5-Other Current Liabilities:				
Provision for Expenses	370	517	23,332	30,989
Total	370	517	23,332	30,989

Hercon Pharmaceuticals LLC
Notes to the Financial Statements

Note: 6-Fixed Assets:

A Tangible Assets:

	Plant and Equipment	Leasehold Improvements	Total	Plant and Equipment	Leasehold Improvements	Total
	USD Thousands			INR Thousands		
Gross Block:						
As at December 31, 2012	304	94	398	16,516	5,107	21,623
Additions	2,470	-	2,470	148,052	-	148,052
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	1,706	527	2,233
As at December 31, 2013	2,774	94	2,868	166,274	5,634	171,908
Additions	460	-	460	28,074	-	28,074
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	9,588	294	9,882
As at December 31, 2014	3,234	94	3,328	203,936	5,928	209,864
Depreciation and Impairment:						
As at December 31, 2012	17	6	23	924	326	1,250
Charge for the period	348	19	367	20,859	1,139	21,998
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	95	34	129
As at December 31, 2013	365	25	390	21,878	1,499	23,377
Charge for the period	366	9	375	22,337	549	22,886
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	1,882	96	1,978
As at December 31, 2014	731	34	765	46,097	2,144	48,241
Net Block:						
As at December 31, 2013	2,409	69	2,478	144,396	4,135	148,531
As at December 31, 2014	2,503	60	2,563	157,839	3,784	161,623

B Intangible Assets [Technical Know-how]:

	Amount in Thousands	
	USD	INR
Gross Block:		
As at December 31, 2012	46	2,499
Additions	-	-
Disposals	-	-
Other adjustments	-	258
As at December 31, 2013	46	2,757
Additions	-	-
Disposals	-	-
Other adjustments	-	144
As at December 31, 2014	46	2,901
Amortisation and Impairment:		
As at December 31, 2012	-	-
Charge for the year	-	-
Disposals	-	-
Other adjustments	-	-
As at December 31, 2013	-	-
Charge for the year	-	-
Disposals	-	-
Other adjustments	-	-
As at December 31, 2014	-	-
Net Block:		
As at December 31, 2013	46	2,757
As at December 31, 2014	46	2,901

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

Hercon Pharmaceuticals LLC				
Notes to the Financial Statements				
	USD – Thousands		INR – Thousands	
	As at December 31			
	2014	2013	2014	2013
Note: 7-Long Term Loans and Advances:				
Advance payment of Tax [Unsecured, Considered good]	212	-	13,369	-
Total	212	-	13,369	-
Note: 8-Inventories:				
Classification of Inventories:				
Raw Materials	708	310	44,646	18,581
Work-in-progress	80	132	5,045	7,912
Finished Goods	687	962	43,322	57,662
Total	1,475	1,404	93,013	84,155
Note: 9-Trade Receivables:				
Others-Considered good [Unsecured]	1,157	1,161	72,960	69,590
Total	1,157	1,161	72,960	69,590
Note: 10-Cash and Bank Balances:				
Balances with Banks	86	381	5,423	22,837
Cash on Hand [\$421 {Previous year:\$270}]	-	-	27	16
Total	86	381	5,450	22,853
Note: 11-Other Current Assets:				
Prepaid Expenses [Unsecured, Considered Good]	245	210	15,450	12,587
Total	245	210	15,450	12,587
	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Note: 12-Other Operating Revenues:				
Miscellaneous Income	1,619	610	98,808	36,563
Total	1,619	610	98,808	36,563
Note: 13-Cost of Materials Consumed:				
Raw Materials:				
Stock at commencement	310	209	18,581	11,355
Add: Purchases	1,069	1,133	65,241	67,912
	1,379	1,342	83,822	79,267
Less: Stock at close	708	310	44,646	18,581
Total	671	1,032	39,176	60,686
Note: 14-Changes in Inventories:				
Stock at commencement:				
Work-in-progress	132	81	7,912	4,401
Finished Goods	962	892	57,662	48,462
	1,094	973	65,574	52,863
Less: Stock at close:				
Work-in-progress	80	132	5,045	7,912
Finished Goods	687	962	43,322	57,662
	767	1,094	48,367	65,574
Total	327	(121)	17,207	(12,711)
Note: 15-Employee Benefit Expense:				
Salaries and wages	2,204	2,121	134,510	127,133
Contribution to provident and other funds	50	34	3,052	2,038
Staff welfare expenses	447	480	27,280	28,771
Total	2,701	2,635	164,842	157,942
Above expenses includes Research related expenses as follows:				
Salaries and wages	429	504	26,182	30,210
Contribution to provident and other funds	9	5	549	300
Staff welfare expenses	97	121	5,920	7,253
Total	535	630	32,651	37,763

Hercon Pharmaceuticals LLC				
Notes to the Financial Statements				
	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Note: 16-Finance Cost:				
Interest on others	95	68	5,798	4,076
Bank commission & charges	124	71	7,568	4,256
Total	219	139	13,366	8,332
Note: 17-Other Expenses:				
Analytical Expenses	235	256	14,342	15,345
Power & fuel	177	172	10,802	10,310
Rent	245	245	14,952	14,685
Repairs to Buildings	56	1	3,418	60
Repairs to Plant and Machinery	216	219	13,182	13,127
Insurance	59	75	3,601	4,496
Traveling Expenses	14	9	854	539
Legal and Professional Fees	207	238	12,633	14,266
Commission on sales	103	99	6,286	5,934
Freight and forwarding on sales	63	51	3,845	3,057
Exchange Rate difference due to translation [Refer Note2 (*)]	-	-	-	11,398
Other Marketing Expenses	16	5	976	300
Miscellaneous Expenses	813	739	49,617	44,296
Total	2,204	2,109	134,508	137,813
Above expenses includes Research related expenses as follows:				
Analytical expenses	110	77	6,713	4,615
Power & Fuel	44	43	2,685	2,577
Repairs to Plant and Machinery	6	6	366	360
Insurance	13	8	793	480
Traveling Expenses	3	3	183	180
Legal and Professional fees	10	87	610	5,215
Miscellaneous Expenses	67	62	4,089	3,716
Total	253	286	15,439	17,143
Note: 18-Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:	Zydus Noveltech Inc.			
b Holding Company of Holding Company:	Zydus International Private Limited			
c Ultimate Holding Company:	Cadila Healthcare Limited			
d Fellow Subsidiaries:				
Dialforhealth India Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Dialforhealth Unity Limited	Zydus Pharmaceuticals (USA) Inc. [USA]			
Dialforhealth Greencross Limited	Nesher Pharmaceuticals (USA) LLC [USA]			
German Remedies Limited	Zydus France, SAS [France]			
Zydus Wellness Limited	Zydus Pharma Japan Co. Ltd. [Japan]			
Liva Pharmaceuticals Limited	Etna Biotech S.R.L. [Italy]			
Zydus Technologies Limited	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
Biochem Pharmaceutical Industries Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Zydus BSV Pharma Private Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
M/s. Zydus Healthcare, a Partnership Firm	Script Management Services (Pty) Ltd [South Africa]			
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 Healthcare S.A. (Pty) Ltd [South Africa]	Bremer Pharma GmbH [Germany]			
Zydus Healthcare (USA) LLC [USA]	Zydus Healthcare Philippines Inc.[Philippines]			
Zydus Netherlands B.V. [the Netherlands]	Zydus Worldwide DMCC [Dubai]			
Laboratorios Combix S.L. [Spain]	Zydus Discovery DMCC [Dubai]			

Hercon Pharmaceuticals 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 & d]

<u>Nature of Transactions</u>	<u>Value of Transactions [USD Thousands]</u>		<u>2013</u>	
	<u>Holding company</u>	<u>Fellow Subsidiaries</u>		
	<u>Year ended December 31</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Purchases:				
Reimbursement of expenses paid:				
Zydus Noveltech Inc.	135	69		
Sales:				
Services:				
Zydus Technologies Limited			1,619	610
Reimbursement of expenses received:				
Zydus Noveltech Inc.	14	4		
Finance:				
Inter Corporate Loans received:				
Zydus Noveltech Inc.	3,472	6,165		
Interest paid:				
Zydus Noveltech Inc.	95	68		
		<u>As at December 31</u>		
Outstanding:				
Payable:				
Zydus Noveltech Inc.	12,922	9,426		
Receivable:				
Zydus Technologies Limited			324	92
		<u>Value of Transactions [INR Thousands]</u>		
		<u>Year ended December 31</u>		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Purchases:				
Reimbursement of expenses paid:				
Zydus Noveltech Inc.	8,239	4,136		
Sales:				
Services:				
Zydus Technologies Limited			98,808	36,563
Reimbursement of expenses received:				
Zydus Noveltech Inc.	854	240		
Finance:				
Inter Corporate Loans received:				
Zydus Noveltech Inc.	218,944	369,530		
Interest paid:				
Zydus Noveltech Inc.	5,798	4,076		
		<u>As at December 31</u>		
Outstanding:				
Payable:				
Zydus Noveltech Inc.	814,861	564,994		
Receivable:				
Zydus Technologies Limited			20,431	5,514

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

Note: 19-Segment Information:

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

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, 2014 and 2013 are as under:

	USD – Thousands		INR – Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Year				
2014	-	245	-	14,685
2015	245	245	14,952	14,685
2016	245	245	14,952	14,685
2017	163	163	9,948	9,770
Total Commitments	653	898	39,852	53,825
Lease payments recognised in the Statement of Profit and Loss	245	245	14,952	14,685

Note: 21-Going Concern:

The company has accumulated losses of USD 7,432 Thousand and company's total liabilities exceed its assets by USD 7,332 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

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current reporting 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 Novelttech Inc.

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 14, 2015

Director & Representative