# INDEPENDENT AUDITOR'S REPORT

**To the members of Liva Pharmaceuticals Limited**

**Report on the Indian Accounting Standards (Ind AS) Financial Statements**

We have audited the accompanying Ind AS financial statements of **Liva Pharmaceuticals Limited** ("the Company"), which comprise the Balance Sheet as at **March 31, 2017**, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the statement changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

**Management's Responsibility for the Ind AS Financial Statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income) and cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards specified in the Companies (Indian Accounting Standards) Rules,2015 (as amended) under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design ,implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit of the Ind AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act and other applicable authoritative pronouncements issued by ICAI. Those Standards and pronouncements require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Ind AS financial statements.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 India, of the state of affairs of the Company as at **March 31, 2017** and its loss (including Other Comprehensive Income) and its cash flows and the changes in equity for the year ended on that date.

KANTILAL PATEL & CO. AHMEDABAD Chartered Accountants

**Report on Other Legal and Regulatory Requirements**

As required by the Companies (Auditor's Report) Order, 2016 ("the order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure A" a statement on the matters specified in Paragraphs 3 and 4 of the Order.

As required by Section 143 (3) of the Act, we report that:

(a) 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.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

(c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Income) , the Cash Flow Statement and the statement of changes in Equity dealt with by this Report are in agreement with the books of account;

(d) In our opinion, the aforesaid financial statements comply with the Indian Accounting Standard specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"

(g) 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:

  I. The Company does not have any pending litigations which would impact its financial position.
  II. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.
  III. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
  IV. The company has provided requisite disclosures in the financial statements as to holding as well as dealings in Specified Bank notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures performed and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the company and as produced by us by the management – Refer Note no 7.

For **KANTILAL PATEL & CO.,**
**CHARTERED ACCOUNTANTS**
**Firm Reg. No. : 104744W**

KANTILAL PATEL & CO. CHARTERED ACCOUNTANTS "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013.

**Jinal A. Patel**
**Partner**
**Membership No. : 153599**

**Place: Ahmedabad**
**Date: May 25, 2017**

"Annexure A"

**Annexure referred to in paragraph under the heading "Report on other legal and regulatory requirements" of our report of even date**

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(ii) The company does not have any inventories and hence clause (ii) of paragraph 3 of the Companies (Auditor's Report) Order, 2015 are not applicable to the company.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, provisions of section 185 and 186 of the Companies Act 2013 in respect of loans to directors including entities in which they are interested and in respect of loans and advances given, investments made and, guarantees, and securities given have been complied with by the company.

(v) According to the information and explanations given to us, the company has not accepted any deposit form the public within the meaning of section 73 to 76 of the Act and the Rules framed under. Therefore, the provisions of clause 3(v) of the Order is not applicable.

(vi) The provisions of clause 3 (vi) of the Order are not applicable to the Company as it is not covered by the Companies (Cost Records and Audit) Rules, 2014.

(vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues applicable to it.

(b). According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us, there are no dues of income tax, sales- tax, , service tax, customs duty, excise duty, value added tax and cess which have not been deposited on account of any dispute.

(viii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to the banks. The company had not taken any loan from financial institution. The company has not obtained any borrowing by way of debentures.

KANTILAL PATEL & CO. AHMEDABAD Chartered Accountants

(ix) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management and on an overall examination of the balance sheet, we report that term loans were applied for the purposes for which those were raised.

(x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud / material fraud by the company or on the company by the officers and employees of the Company has been noticed or reported during the year.

(xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.

(xiii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the company and, not commented upon.

(xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.

(xvi) According to the information and explanations given to us, the provisions of section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For **KANTILAL PATEL & CO.,**
**CHARTERED ACCOUNTANTS**
**Firm Reg. No. : 104744W**

KANTILAL PATEL & CO. "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013. CHARTERED ACCOUNTANTS

**Jinal A. Patel**
**Partner**
**Membership No. : 153599**

**Place: Ahmedabad**
**Date: May 25, 2017**

**Annexure 'B'**

**Annexure to the independent auditor's report of even date on the Ind AS financial statements of "Liva Pharmaceuticals Limited"**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Liva Pharmaceuticals Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable Ind AS financial information, as required under the Act.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's Judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

AHMEDABAD

**Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

KANTILAL PATEL & CO. CHARTERED ACCOUNTANTS "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013.

For **KANTILAL PATEL & CO.,**
**CHARTERED ACCOUNTANTS**
**Firm Reg. No. : 104744W**

**Jinal A. Patel**
**Partner**
**Membership No. : 153599**

**Place: Ahmedabad**
**Date: May 25, 2017**

**LIVA PHARMACEUTICALS LIMITED**
**Balance Sheet as at March 31, 2017**

| Particulars | Note No. | INR-Thousand | | |
|---|---|---|---|---|
| | | As at | | |
| | | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| **ASSETS:** | | | | |
| **Non-Current Assets:** | | | | |
| Property, Plant and Equipment | 3 [A] | **977,821** | 1,755 | 1,399 |
| Capital work-in-progress | | **1,658,104** | 1,811,683 | 128,605 |
| Other Intangible Assets | 3 [B] | **1,919** | - | - |
| Financial Assets: | | | | |
| Other Financial Assets | 4 | **603** | 2,669 | 2,361 |
| Other Non-Current Assets | 5 | **61,756** | 100,607 | 219,564 |
| Assets for Current tax [Net] | 6 | **432** | 1 | 1 |
| | | **2,700,635** | 1,916,715 | 351,930 |
| **Current Assets:** | | | | |
| Financial Assets: | | | | |
| Cash and Cash Equivalents | 7 | **20,576** | 1,738 | 2,171 |
| Loans | 8 | **326** | 114 | 93 |
| Deferred Tax Assets [Net] | 15 | **43,119** | - | - |
| Other Current Assets | 9 | **3,376** | 25 | 40 |
| | | **67,397** | 1,877 | 2,304 |
| **Total** | | **2,768,032** | 1,918,592 | 354,234 |
| **EQUITY AND LIABILITIES:** | | | | |
| **Equity:** | | | | |
| Equity Share Capital | 10 | **20,000** | 20,000 | 20,000 |
| Other Equity | 11 | **(5,186)** | (279) | (366) |
| | | **14,814** | 19,721 | 19,634 |
| **Non-Current Liabilities:** | | | | |
| Financial Liabilities: | | | | |
| Borrowings | 12 | **2,472,030** | 1,616,620 | 304,620 |
| Other Financial Liabilities | 13 | **29,743** | 118,666 | 5,226 |
| Provisions | 14 | **2,146** | 110 | 163 |
| | | **2,503,919** | 1,735,396 | 310,009 |
| **Current Liabilities:** | | | | |
| Financial Liabilities: | | | | |
| Trade Payables | 16 | **48,108** | 91,753 | 12,032 |
| Other Financial Liabilities | 17 | **184,484** | 63,665 | 10,928 |
| Other Current Liabilities | 18 | **16,489** | 7,881 | 1,631 |
| Provisions | 19 | **217** | 175 | - |
| Current Tax Liabilities [Net] | 20 | **1** | 1 | - |
| | | **249,299** | 163,475 | 24,591 |
| **Total** | | **2,768,032** | 1,918,592 | 354,234 |
| **Significant Accounting Policies** | 2 | | | |
| **Notes to the Financial Statements** | 1 to 34 | | | |

As per our report of even date
For Kantilal Patel & Co.,
Chartered Accountants
Firm Registration Number: 104744W

KANTILAL PATEL & CO. "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013. CHARTERED ACCOUNTANTS

Jinal Patel
Partner
Membership Number:153599
Ahmedabad, Dated: 25-05-2017

For and on behalf of the Board

Pranav D. Patel
Pranav D. Patel
Chairman

Amit Jain
Director

**LIVA PHARMACEUTICALS LIMITED**

**Statement of Profit and Loss for the year ended March 31, 2017**

| Particulars | Note No. | INR-Thousand Year ended March 31 2017 | 2016 |
|---|---|---|---|
| Revenue from Operations | 22 | **18,600** | - |
| Other Income | 23 | **197** | 721 |
| **Total Income** | | **18,797** | 721 |
| **EXPENSES:** | | | |
| Cost of Materials Consumed | 24 | **1,325** | - |
| Employee Benefits Expense | 25 | **24,044** | - |
| Finance Costs | 26 | **1,293** | 16 |
| Depreciation, Amortisation and Impairment expense | 3 | **1,184** | 188 |
| Other Expenses | 27 | **38,199** | 207 |
| **Total Expenses** | | **66,045** | 411 |
| **Profit / (Loss) before Tax** | | **(47,248)** | 310 |
| Less: Tax Expense: | | | |
| Current Tax | 28 | - | 223 |
| Deferred Tax | 15 | **(43,360)** | - |
| | | **(43,360)** | 223 |
| **Profit / (Loss) for the year** | | **(3,888)** | 87 |
| **OTHER COMPREHENSIVE INCOME [OCI]:** | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Re-measurement losses on post employment defined benefit plans | | **(778)** | - |
| Income tax effect | | **(241)** | - |
| **Other Comprehensive Income for the year [Net of tax]** | | **(1,019)** | - |
| **Total Comprehensive Income for the year [Net of Tax]** | | **(4,907)** | 87 |
| **Basic & Diluted Earning per Equity Share [EPS] [in Rupees]** | 29 | **(2)** | 0.04 |
| **Significant Accounting Policies** | 2 | | |
| **Notes to the Financial Statements** | 1 to 34 | | |

As per our report of even date

For Kantilal Patel & Co.,

Chartered Accountants

Firm Registration Number: 104744W

KANTILAL PATEL & CO. "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013. CHARTERED ACCOUNTANTS

Jinal Patel

Partner

Membership Number:153599

Ahmedabad, Dated: 25-05-2017

For and on behalf of the Board

Pranav D. Patel

Pranav D. Patel

Chairman

Amit Jain

Director

**LIVA PHARMACEUTICALS LIMITED**

**Cash Flow Statement for the year ended March 31, 2017**

| Particulars | INR-Thousand | | |
|---|---|---|---|
| | Year ended March 31 | | |
| | 2017 | | 2016 |
| **A Cash flows from operating activities:** | | | |
| Profit before tax | | (47,248) | 310 |
| Adjustments for: | | | |
| Depreciation, Amortisation and Impairment expense | 1,184 | | 188 |
| Profit on sale of investments [Net] | - | | (601) |
| Interest income | (197) | | (121) |
| Interest expenses | 1,886 | | - |
| Provisions for employee benefits | 1,300 | | - |
| Provisions for probable product expiry claims and return of goods [net of written back] | | | - |
| Total | | 4,173 | (534) |
| Operating profit before working capital changes | | (43,075) | (224) |
| Adjustments for: | | | |
| Decrease in short term advances | 115 | | (21) |
| Decrease in long term advances | (22,879) | | (25,250) |
| [Increase]/ Decrease in other current assets | (1,368) | | 15 |
| Increase in trade payables | (45,626) | | - |
| Increase in other current liabilities | 14,621 | | - |
| [Decrease]/ Increase in other long term liabilities | (88,923) | | - |
| Total | | (144,060) | (25,256) |
| Cash generated from operations | | (187,135) | (25,480) |
| Direct taxes paid [Net of refunds] | | (431) | (223) |
| Net cash from operating activities | | (187,566) | (25,703) |
| **B Cash flows from investing activities:** | | | |
| Purchase of property, plant and equipment | (762,026) | | (1,683,621) |
| Proceeds from sale of property, plant and equipment | (96) | | - |
| Proceeds from sale of non current investments | - | | 601 |
| Advances to Vendors | - | | 396,169 |
| Interest received | 197 | | 121 |
| Net cash from investing activities | | (761,925) | (1,286,730) |
| **C Cash flows from financing activities:** | | | |
| Proceeds from non current borrowings | 855,410 | | 4,589,000 |
| Repayment of non current borrowings | - | | (3,277,000) |
| Interest paid | 112,919 | | - |
| Net cash from financing activities | | 968,329 | 1,312,000 |
| **Net [Decrease]/ increase in cash and cash equivalents** | | 18,838 | (433) |
| **Cash and cash equivalents at the beginning of the year** | | 1,738 | 2,171 |
| **Cash and cash equivalents at the end of the year** | | 20,576 | 1,738 |

**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 and cash equivalents at the end [beginning] of the year include INR 30 [INR 26] thousands not available for immediate use.

4 Cash and cash equivalents comprise of:

| | As at | | |
|---|---|---|---|
| | March 31, 2017 | March 31, 2016 | April 1, 2015 |
| a Cash on Hand | 44 | 33 | 3 |
| b Balances with Banks | 20,532 | 1,705 | 2,168 |
| c Investment in Liquid Mutual Funds | - | - | - |
| d Total | 20,576 | 1,738 | 2,171 |

As per our report of even date

For Kantilal Patel & Co.,

Chartered Accountants

Firm Registration Number: 104744W

Jinal Patel

Partner

Membership Number:153599

Ahmedabad, Dated: 25-05-2017

KANTILAL PATEL & CO. CHARTERED ACCOUNTANTS "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013.

For and on behalf of the Board

Pranav D. Patel

Pranav D. Patel

Chairman

Amit Jain

Director

**LIVA PHARMACEUTICALS LIMITED**

**Statement of Change in Equity for the year ended March 31, 2017**

**a Equity Share Capital:**

| | No. of Shares | INR-Thousand |
|---|---|---|
| **Equity Shares of INR 10/- each, Issued, Subscribed and Fully Paid-up:** | | |
| As at April 1, 2015 | 2,000,000 | **20,000** |
| As at March 31, 2016 | 2,000,000 | **20,000** |
| As at March 31, 2017 | 2,000,000 | **20,000** |

**b Other Equity:**

| | INR-Thousand | | |
|---|---|---|---|
| | Reserves and Surplus | Items of OCI | Total |
| | Retained Earnings | FVTOCI Reserve | |
| **As at April 1, 2015** | **(366)** | - | **(366)** |
| Add: Profit for the year | **87** | | **87** |
| [Less]: Other Comprehensive income | - | - | - |
| **Total Comprehensive Income** | **(279)** | - | **(279)** |
| **As at March 31, 2016** | **(279)** | - | **(279)** |
| Add: Loss for the year | **(3,888)** | - | **(3,888)** |
| Add [Less]: Other Comprehensive income | | | |
| Re-measurement gains/ [losses] on defined benefit plans [net of tax] | **(1,019)** | - | **(1,019)** |
| **As at March 31, 2017** | **(5,186)** | - | **(5,186)** |

As per our report of even date
For Kantilal Patel & Co.,
Chartered Accountants
Firm Registration Number: 104744W

KANTILAL PATEL & CO. "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013. CHARTERED ACCOUNTANTS

Jinal Patel
Partner
Membership Number:153599
Ahmedabad, Dated: 25-05-2017

For and on behalf of the Board

Pranav D. Patel
Pranav D. Patel
Chairman

Amit Jain
Director

**LIVA PHARMACEUTICALS LIMITED**

**Note: 1-Company overview:**

Liva Pharmaceuticals Limited ["the Company"] is incorporated with an object of the development, production, marketing and distribution of injectable formulations. The company is in the process of setting up injectable manufacturing facility at Village: Jarod, Taluka: Vaghodia, Vadodara. The financial statements were authorised for issue in accordance with a resolution passed by the Board of Directors at their meeting held on May 25,2017.

**Note: 2-Significant Accounting Policies:**

**A** The following note provides list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented unless otherwise stated.

**1 Basis of preparation:**

**A** The financial statements have been prepared in accordance with Indian Accounting Standards [Ind AS] notified under the Companies [Indian Accounting Standards] Rules, 2015, as amended and other relevant provisions of the Companies Act, 2013.

**B** For all periods up to and including the year ended March 31, 2016, the Company has prepared its financial statements in accordance with the accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies [Accounts] Rules, 2014 [Indian GAAP].

The Company has adopted Ind AS as per Companies [Indian Accounting Standards] [Ind AS] Rules, 2015 as notified under section 133 of the Companies Act, 2013 for these Financial statements beginning April 1, 2016. As per the principles of Ind AS 101, the transition date to Ind AS is April 1, 2015 and hence the comparatives for the previous year ended March 31, 2016 and balances as on April 1, 2015 have been restated as per the principles of Ind AS, wherever deemed necessary. Reconciliations and descriptions of the effect of the transition from previous GAAP to Ind AS have been summarized in note 33 and note 34.

**C** The financial statements have been prepared on historical cost basis, except for the following assets and liabilities which have been measured at fair value or revalued amount:

i Defined benefit plans

**2 Use of Estimates:**

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgments and assumptions. These estimates, judgments and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of income and expenses during the period. Application of accounting policies that require critical accounting estimates involving complex and subjective judgments are provided below. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

**Critical estimates and judgments**

**a Income taxes:**

Significant judgments are involved in determining the provision for income taxes, including amount expected to be paid/ recovered for uncertain tax positions.

**b Property, Plant and Equipment:**

Property, Plant and Equipment represent a significant proportion of the asset base of the Company. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology.

**c Employee benefits:**

Significant judgments are involved in making judgments about the life expectancy, discounting rate, salary increase, etc. which significantly affect the working of the present value of future liabilities on account of employee benefits by way of defined benefit plans.

**3 Foreign Currency Transactions:**

The Company's financial statements are presented in Indian Rupees [INR], which is the functional and presentation currency.

**A** The transactions in foreign currencies are translated into functional currency at the rates of exchange prevailing on the dates of transactions.

**B** Foreign Exchange gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the Statement of Profit and Loss.

**4 Revenue Recognition:**

**A** Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties collected on behalf of the government and is shown net of returns, trade allowances, rebates, value added taxes and volume discounts.

**a Service Income:**

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 and are net of service tax, wherever applicable.

**b Interest Income:**

For all debt instruments measured either at amortised cost, interest income is recorded using the effective interest rate [EIR]. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

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**Note: 2-Significant Accounting Policies-Continued:**

**5 Taxes on Income:**

Tax expenses comprise of current and deferred tax.

**A Current Tax:**

a Current tax is measured at the amount expected to be paid on the basis of reliefs and deductions available in accordance with the provisions of the Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

b Current tax items are recognised in co-relation to the underlying transaction either in Statement of Profit and Loss, OCI or directly in equity.

**B Deferred Tax:**

a Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

b Deferred tax liabilities are recognised for all taxable temporary differences.

c Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilized.

d The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

e Deferred tax assets and liabilities are measured at the tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date and are expected to apply in the year when the asset is realised or the liability is settled.

f Deferred tax items are recognised in co-relation to the underlying transaction either in OCI or directly in equity.

g Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities.

**6 Property, Plant and Equipment:**

**A** Property, Plant and Equipment are stated at historical cost of acquisition/ construction less accumulated depreciation and impairment loss. Historical cost [Net of Input tax credit received/ receivable] includes related expenditure and pre-operative & project expenses for the period up to completion of construction/ assets are ready for its intended use, if the recognition criteria are met and the present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset, if the recognition criteria for a provision are met. The foreign exchange loss or gain attributable to Property, Plant and Equipment is adjusted to the cost of respective Property, Plant and Equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to the statement of profit and loss during the reporting period in which they are incurred, unless they meet the recognition criteria for capitalisation under Property, Plant and Equipment.

On transition to Ind AS, the Company has elected to continue with the carrying value of all its Property, Plant and Equipment recognised as at April 1, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the Property, Plant and Equipment.

**B** Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives as compared to principal item of the asset, they are recognised separately as independent items and are depreciated over their estimated economic useful lives.

**C** Depreciation on tangible assets is provided on "straight line method" based on the useful lives as prescribed under Schedule II of the Companies Act, 2013. The management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used. However, management reviews the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting period end and any revision to these is recognised prospectively in current and future periods.

**D** Depreciation on impaired assets is calculated on its reduced value, if any, on a systematic basis over its remaining useful life.

**E** Depreciation on additions/ disposals of the fixed assets during the year is provided on pro-rata basis according to the period during which assets are used.

**F** Where the actual cost of purchase of an asset is below INR 10,000/-, the depreciation is provided @ 100%.

**G** Capital work in progress is stated at cost less accumulated impairment loss, if any.

**H** An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of profit and loss when the asset is derecognised.

**7 Intangible Assets:**

**A** Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

**B** Internally generated intangibles are not capitalised and the related expenditure is reflected in the Statement of profit and loss in the period in which the expenditure is incurred.

**C** Capitalised cost incurred towards purchase/ development of software is amortised using straight line method over its useful life of four years as estimated by the management at the time of capitalisation.

**D** Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

**E** An item of intangible asset initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset [calculated as the difference between the net disposal proceeds and the carrying amount of the asset] is included in the Statement of profit and loss when the asset is derecognised.

**Note: 2-Significant Accounting Policies-Continued:**

**8 Borrowing Costs:**

**A** Borrowing costs consist of interest and other borrowing costs that are incurred in connection with the borrowing of funds. Other borrowing costs include ancillary charges at the time of acquisition of a financial liability, which is recognised as per EIR method. Borrowing costs also include exchange differences to the extent regarded as an adjustment to the borrowing costs.

**B** 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.

**9 Impairment of Assets:**

The Property, Plant and Equipment and Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets [cash generating units]. Non-financial assets other than Goodwill that suffered an impairment loss are reviewed for possible reversal of impairment at the end of each reporting period. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. The impairment loss recognised in prior accounting period is reversed if there has been a change in the estimate of recoverable amount.

**10 Cash and Cash Equivalents:**

Cash and Cash equivalents for the purpose of Cash Flow Statement comprise cash and cheques in hand, bank balances, demand deposits with banks where the original maturity is three months or less and other short term highly liquid investments.

**11 Leases:**

**As a lessee:**

The determination of whether an arrangement is [or contains] a lease is based on the substance of the arrangement at the inception of the lease.

Lease under which the Company assumes potentially all the risk and rewards of ownership are classified as finance lease. When acquired, such assets are capitalised at fair value or present value of the minimum lease payment at the inception of the lease, whichever is lower.
Lease payments under operating leases are recognised as an expense on straight line basis in the Statement of Profit and Loss over the lease term, unless the payments are structured to increase in line with expected general inflation to compensate lessor's expected inflationary cost increases.

**12 Provisions, Contingent Liabilities and Contingent Assets:**

**A** Provisions are 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. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates. Contingent assets are not recognised but are disclosed separately in financial statements.

**B** If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability.

**13 Employee Benefits:**

**A Short term obligations:**

Liabilities for wages and salaries, including leave encashment that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured by the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

**B Long term employee benefits obligations:**

**a Leave Wages and Sick Leave:**

The liabilities for earned leave and sick leave are not expected to be settled wholly within 12 months period after the end of the period in which the employees render the related service. They are therefore, measured at the present value of expected future payments to be made in respect of services provided by employees upto the end of the reporting period using the projected unit credit method as determined by actuarial valuation, performed by an independent actuary. The benefits are discounted using the market yields at the end of reporting period that have the terms approximating to the terms of the related obligation. Gains and losses through re-measurements are recognised in Statement of profit and loss.

**b Defined Benefit Plans:**

**i Gratuity:**

The Company operates a defined benefit gratuity plan with contributions to be made to a separately administered fund through Life Insurance Corporation of India through Employees Group Gratuity Plan. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of the defined benefit plan obligation at the end of the reporting period less the fair value of the plan assets. The liabilities with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to the market yields at the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discounting rate to the net balance of the defined benefit obligation and the fair value of plan assets. Such costs are included in employee benefit expenses in the statement of Profit and Loss. Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the period in which they occur directly in "other comprehensive income" and are included in retained earnings in the Statement of changes in equity and in the balance sheet. Re-measurements are not reclassified to profit or loss in subsequent periods.

The Company recognises the following changes in the net defined benefit obligation as an expense in the Statement of profit and loss:

i Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non routine settlements; and

ii Net interest expense or income.

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**Note: 2-Significant Accounting Policies-Continued:**

**c Defined Contribution Plans - Provident Fund Contribution:**

Employees of the Company, other than covered in point (ii) above, receive benefits from a provident fund, which is a defined contribution plan. Both the eligible employee and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's salary. Amounts collected under the provident fund plan are deposited in a government administered provident fund. The companies have no further obligation to the plan beyond its monthly contributions. Such contributions are accounted for as defined contribution plans and are recognised as employee benefits expenses when they are due in the Statement of profit and loss.

**14 Excise Duty:**

Excise Duty is accounted gross of Cenvat benefit availed on inputs, capital goods and eligible services.

**15 Financial Instruments:**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**A Financial Assets:**

**a Initial recognition and measurement:**

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place [regular way trades] are recognised on the settlement date, i.e., the date that the Company settles to purchase or sell the asset.

**b Subsequent measurement:**

For purposes of subsequent measurement, financial assets are classified in four categories:

**i Debt instruments at amortised cost:**

A 'debt instrument' is measured at the amortised cost if both the following conditions are met:

- The asset is held with an objective of collecting contractual cash flows
- Contractual terms of the asset give rise on specified dates to cash flows that are "solely payments of principal and interest" [SPPI] on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate [EIR] method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit and Loss. The losses arising from impairment are recognised in the Statement of profit and loss.

**ii Debt instruments at fair value through other comprehensive income [FVTOCI]:**

A 'debt instrument' is classified as at the FVTOCI if both of the following criteria are met:

- The asset is held with objective of both - for collecting contractual cash flows and selling the financial assets
- The asset's contractual cash flows represent SPPI.

Debt instruments included within the FVTOCI category are measured initially as well as at each reporting date at fair value. Fair value movements are recognized in the OCI. However, the Company recognizes interest income, impairment losses & reversals and foreign exchange gain or loss in the Statement of Profit and Loss. On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from the equity to Statement of Profit and Loss. Interest earned whilst holding FVTOCI debt instrument is reported as interest income using the EIR method.

**iii Debt instruments and derivatives at fair value through profit or loss [FVTPL]:**

FVTPL is a residual category for debt instruments. Any debt instrument, which does not meet the criteria for categorization as at amortized cost or as FVTOCI, is classified as at FVTPL.

Instruments included within the FVTPL category are measured at fair value with all changes recognized in the Statement of Profit and Loss.

**c Derecognition:**

A financial asset [or, where applicable, a part of a financial asset] is primarily derecognised [i.e. removed from the Company's balance sheet] when:

i The rights to receive cash flows from the asset have expired, or

ii The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either [a] the Company has transferred substantially all the risks and rewards of the asset, or [b] the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. When the Company has transferred the risk and rewards of ownership of the financial asset, the same is derecognised.

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**Note: 2-Significant Accounting Policies-Continued:**

**d Impairment of financial assets:**

In accordance with Ind AS 109, the Company applies expected credit loss [ECL] model for measurement and recognition of impairment loss on the following financial assets and credit risk exposure:

a Financial assets that are debt instruments, and are measured at amortised cost

b Trade receivables or any contractual right to receive cash or another financial asset

c Financial assets that are debt instruments and are measured as at FVTOCI

The Company follows 'simplified approach' for recognition of impairment loss allowance on Point b above.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it requires the Company to recognise the impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. For recognition of impairment loss on other financial assets and risk exposure, the Company determines that whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the entity reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive [i.e., all cash shortfalls], discounted at the original EIR.

ECL impairment loss allowance [or reversal] recognized during the period is recognized as income/ expense in the Statement of profit and loss. The balance sheet presentation for various financial instruments is described below:

Financial assets measured as at amortised cost and contractual revenue receivables: ECL is presented as an allowance , i.e., as an integral part of the measurement of those assets in the balance sheet, which reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics.

**B Financial Liabilities:**

**a Initial recognition and measurement:**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

**b Subsequent measurement:**

Subsequently all financial liabilities are measured as amortised cost except for loans and borrowings, as described below:

**Loans and borrowings:**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in Statement of profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of profit and loss.

**c Derecognition:**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of profit and loss.

**C Reclassification of financial assets:**

The Company determines classification of financial assets and liabilities on initial recognition. After initial recognition, no reclassification is made for financial assets which are equity instruments and financial liabilities. For financial assets which are debt instruments, a reclassification is made only if there is a change in the business model for managing those assets. Changes to the business model are expected to be infrequent. The Company's senior management determines change in the business model as a result of external or internal changes which are significant to the Company's operations. Such changes are evident to external parties. A change in the business model occurs when the Company either begins or ceases to perform an activity that is significant to its operations. If the Company reclassifies financial assets, it applies the reclassification prospectively from the reclassification date which is the first day of the immediately next reporting period following the change in business model as per Ind AS 109.

**D Offsetting of financial instruments:**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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**Note: 2-Significant Accounting Policies-Continued:**

**16 Fair Value Measurement:**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a In the principal market for the asset or liability, or

b In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

a Level 1 — Quoted [unadjusted] market prices in active markets for identical assets or liabilities

b Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

c Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation [based on the lowest level input that is significant to the fair value measurement as a whole] at the end of each reporting period.

**17 Earnings per Share:**

Basic earnings per share are calculated by dividing the net profit or loss [excluding other comprehensive income] for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue, bonus element in a right issue, shares split and reserve share splits [consolidation of shares] that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss [excluding other comprehensive income] for the year attributable to equity share holders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**18 Standards issued but not yet effective:**

In March 2017, the Ministry of Corporate Affairs issued the Companies [Indian Accounting Standards] [Amendments] Rules, 2017, notifying amendments to Ind AS 7 "Statement of cash flows" and Ind AS 102 "Share-based payment". These amendments are in accordance with the recent amendments made by International Accounting Standards Board [IASB] to IAS 7 "Statement of cash flows" and IFRS 2 "Share-based payment", respectively. The amendments are applicable to the Company from April 1, 2017.

**Amendment to Ind AS 7:**

The amendment to Ind AS 7 requires the entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, suggesting inclusion of a reconciliation between the opening and closing balances in the balance sheet for liabilities arising from financing activities, to meet the disclosure requirement.

The Company is evaluating the requirements of the amendment and its effect on the financial statements.

**Amendment to Ind AS 102:**

The amendment to Ind AS 102 provides specific guidance to measurement of cash-settled awards, modification of cash-settled awards and awards that include a net settlement feature in respect of withholding taxes.

It clarifies that the fair value of cash-settled awards is determined on a basis consistent with that used for equity-settled awards.

Market-based performance conditions and non-vesting conditions are reflected in the "fair values", but non-market performance conditions and service vesting conditions are reflected in the estimate of the number of awards expected to vest. Also, the amendment clarifies that if the terms and conditions of a cash-settled share-based payment transaction are modified with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as such from the date of the modification. Further, the amendment requires the award that include a net settlement feature in respect of withholding taxes to be treated as equity-settled in its entirety. The cash payment to the tax authority is treated as if it was part of an equity settlement. This amendment does not apply to the Company.

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**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

**Note: 3-Property, Plant & Equipment and Intangible Assets:**

[A] Property, Plant and Equipment:

INR-Thousand

| | Buildings | Plant and Equipment | Furniture and Fixtures | Vehicles | Office Equipment | Total |
|---|---|---|---|---|---|---|
| Gross Block: | | | | | | |
| As at April 1, 2015* | | | | 1,399 | | **1,399** |
| Additions [#] | 544 | | | | | **544** |
| Disposals | - | | | | | - |
| Other adjustments | | | | | | - |
| As at March 31, 2016 | 544 | - | - | 1,399 | - | **1,943** |
| Additions | 244,633 | 726,527 | 6,527 | | 88 | **977,775** |
| Sale / Disposals | | | | (629) | | **(629)** |
| Other adjustments | | | | | | - |
| As at March 31, 2017 | 245,177 | 726,527 | 6,527 | 770 | 88 | **979,089** |
| Depreciation and Impairment: | | | | | | |
| As at April 1, 2015* | | | | | | - |
| Depreciation for the year | 17 | | | 171 | | **188** |
| Disposals | | | | | | - |
| As at March 31, 2016 | 17 | - | - | 171 | - | **188** |
| Depreciation for the year | 120 | 945 | 8 | 103 | - | **1,176** |
| Disposals | | | | (96) | | **(96)** |
| As at March 31, 2017 | 137 | 945 | 8 | 178 | - | **1,268** |
| Net Block: | | | | | | |
| As at April 1, 2015* | - | - | - | 1,399 | - | **1,399** |
| As at March 31, 2016 | 527 | - | - | 1,296 | - | **1,755** |
| As at March 31, 2017 | 245,040 | 725,582 | 6,519 | 592 | 88 | **977,821** |

[B] Intangible Assets:

| | Computer Software | Total |
|---|---|---|
| Gross Block: | | |
| As at April 1, 2015* | | - |
| Additions [#] | | - |
| Disposals | | - |
| Other adjustments | | - |
| As at March 31, 2016 | - | - |
| Additions | 1,927 | **1,927** |
| Disposals | | - |
| Other adjustments | | - |
| As at March 31, 2017 | 1,927 | **1,927** |
| Amortisation and Impairment: | | |
| As at April 1, 2015* | | - |
| Amortisation for the year | | - |
| Impairment for the year | | - |
| Disposals | | - |
| As at March 31, 2016 | - | - |
| Amortisation for the year | 8 | **8** |
| Impairment for the year | | - |
| Disposals | | - |
| As at March 31, 2017 | 8 | **8** |
| Net Block: | | |
| As at April 1, 2015* | - | - |
| As at March 31, 2016 | - | - |
| As at March 31, 2017 | 1,918 | **1,919** |

**Note: 3-Property, Plant & Equipment and Intangible Assets - Continued:**

| | INR-Thousand | |
|---|---|---|
| | Year ended March 31 | |
| **Depreciation, Amortisation and Impairment expenses:** | **2017** | 2016 |
| Depreciation | **1,176** | 188 |
| Amortisation | **8** | - |
| Impairment | - | - |
| **Total** | **1,184** | 188 |

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

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**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

| | INR-Thousand | | |
|---|---|---|---|
| | As at | | |
| | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| **Note: 4-Other Financial Assets:** | | | |
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Security Deposits | **603** | 2,669 | 2,361 |
| **Total** | **603** | 2,669 | 2,361 |
| **Note: 5-Other Non-Current Assets:** | | | |
| [Unsecured, Considered Good unless otherwise stated] | | | |
| Capital Advances | **10,482** | 73,952 | 217,851 |
| Balances with Statutory Authorities | **51,274** | 26,655 | 1,713 |
| **Total** | **61,756** | 100,607 | 219,564 |
| **Note: 6-Current Tax Assets [Net]:** | | | |
| Advance Payment of Tax [Net of Provision for taxation Rs. Nil {As at 31st March,2016 Rs.223 thousand} | **432** | 1 | 1 |
| **Total** | **432** | 1 | 1 |
| **Note: 7-Cash and Cash Equivalents:** | | | |
| Balances with Banks | **20,532** | 1,705 | 2,168 |
| Cash on Hand | **44** | 33 | 3 |
| **Total** | **20,576** | 1,738 | 2,171 |
| **Details of Specified Bank Notes (SBN) :** | | | |
| In accordance with MCA notification G.S.R. 308 (E) dated March 30, 2017 details of Specified Bank Notes [SBN] and Other Denomination Notes [ODN] held and transacted during the period from November 8, 2016 to December 30, 2016 is given below: | | | |
| **Particulars** | **Total** | **SBN** | **ODN** |
| Closing cash on hand as on November 8, 2016 | **81** | 59 | 22 |
| Permitted receipts | **50** | - | 50 |
| Permitted payments | **26** | 2 | 24 |
| Amount deposited in banks | **56** | 56 | - |
| **Closing cash on hand as on December 30, 2016** | **213** | **117** | **96** |
| **Note: 8-Loans:** | | | |
| [Unsecured, Considered Good] | | | |
| Loans and Advances to Employees | **326** | 114 | 93 |
| **Total** | **326** | 114 | 93 |
| **Note: 9-Other Current Assets:** | | | |
| [Unsecured, Considered Good] | | | |
| Advances to Suppliers | **1,982** | - | - |
| Prepaid Expenses | **1,394** | 25 | 40 |
| **Total** | **3,376** | 25 | 40 |

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AHMEDABAD
Chartered Accountants

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

| | INR-Thousand | | |
|---|---|---|---|
| | As at | | |
| | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| **Note: 10-Equity Share Capital:** | | | |
| **Authorised:** | | | |
| 50,00,000 [as at March 31,2016:50,000,000] Equity Shares of Rs.10/- each | **50,000** | 50,000 | 50,000 |
| | **50,000** | 50,000 | 50,000 |
| **Issued, Subscribed and Paid-up:** | | | |
| 20,00,000 [as at March31,2016 :20,00,000] Equity Shares of Rs.10/- each fully paid-up | **20,000** | 20,000 | 20,000 |
| **Total** | **20,000** | 20,000 | 20,000 |
| A The reconciliation in number of shares is as under: | | | |
| Number of shares at the beginning of the year | **2,000,000** | 2,000,000 | 2,000,000 |
| Add: Issued during the year | **-** | - | - |
| Number of shares at the end of the year | **2,000,000** | 2,000,000 | 2,000,000 |
| B The Company has only one class of equity shares having a par value of INR 10/- per share. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remaining after distribution of all preferential amounts. | | | |
| C Details of Shareholder holding more than 5% of aggregate Equity Shares of INR 10/- each [as at March 31, 2017: INR 10/- {as at April 1, 2016: INR 10/-} each], fully paid: | | | |
| Cadila Healthcare Limited & their nominees | | | |
| Number of Shares | **2,000,000** | 2,000,000 | 2,000,000 |
| % to total share holding | **100.00%** | 100.00% | 100.00% |
| **Note: 11-Other Equity:** | | | |
| **Retained Earnings:** | | | |
| Balance as per last Balance Sheet | **(279)** | (366) | (493) |
| Add: Profit/(Loss) for the year | **(3,888)** | 87 | 127 |
| | **(4,167)** | (279) | (366) |
| Less: Items of other Comprehensive income recognised directly in Retained Earnings: | | | |
| Re-measurement gains/ [losses] on defined benefit plans [net of tax] | **(1,019)** | - | - |
| **Total** | **(5,186)** | (279) | (366) |

**Note: 12-Borrowings:**

| | INR-Thousand | | | | | |
|---|---|---|---|---|---|---|
| | Non-current portion | | | Current Maturities | | |
| | As at | | | As at | | |
| | **March 31, 2017** | March 31, 2016 | April 1, 2015 | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| A Term Loans from Banks: Secured ** | **100,000** | 100,000 | - | **-** | - | - |
| B Loans and advances from a Related party [U | **2,372,030** | 1,516,620 | 304,620 | **-** | - | - |
| **Total** | **2,472,030** | 1,616,620 | 304,620 | **-** | - | - |

[*] The Company has borrowed loan from Cadila Healthcare Limited [Parent Company] bearing interest of SBI base rate + 0.5% p.a., the same is repayable within 5 years from 1st December, 2016 or as decided with mutual consent

[**] The Term Loan from Bank is at base rate plus spread of 0.5 percent per annum plus applicable interest tax and/or other statutory levy if any. First installment shall be due on end of 9th quarter from the date of Commercial Operation. The said loan is secured by a mortgage on immovable fixed Assets being Leasehold Land and other Property, Plant & Equipment and hypothecation of movable fixed assets. The said loan is further secured by Corporate Guarantee from parent Company - Cadila Healthcare Limited.

| | INR-Thousand | | |
|---|---|---|---|
| | As at | | |
| | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| **Note: 13-Other Financial Liabilities:** | | | |
| Trade Payable for Capital Goods | **29,743** | 118,666 | 5,226 |
| **Total** | **29,743** | 118,666 | 5,226 |

| **Note: 14-Provisions:** | **INR-Thousand** | | |
|---|---|---|---|
| Provision for Employee Benefits | **2,146** | 110 | 163 |
| **Total** | **2,146** | 110 | 163 |

**Defined benefit plan and long term employment benefit**

**A General description:**

**Leave wages [Long term employment benefit]:**

The leave encashment scheme is administered through Life Insurance Corporation of India's Employees' Group Leave Encashment cum Life Assurance [Cash Accumulation] Scheme. The employees of the company are entitled to leave as per the leave policy of the company. The liability on account of accumulated leave as on last day of the accounting year is recognised [net of the fair value of plan assets as at the balance sheet date] at present value of the defined obligation at the balance sheet date based on the actuarial valuation carried out by an independent actuary using projected unit credit method.

**Gratuity [Defined benefit plan]:**

The Company has a defined benefit gratuity plan. Every employee who has completed continuous services of five years or more gets a gratuity on death or resignation or retirement at 15 days salary [last drawn salary] for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

| | **INR-Thousand As at** | | | | | |
|---|---|---|---|---|---|---|
| | | **March 31, 2017** | | | March 31, 2016 | |
| | Medical Leave | Leave Wages | Gratuity | Medical Leave | Leave Wages | Gratuity |
| **B Change in the present value of the defined benefit obligation:** | | | | | | |
| Opening obligation | **24** | **112** | **256** | 28 | 166 | 53 |
| Interest cost | **2** | **8** | **14** | 2 | 12 | 4 |
| Current service cost | **32** | **39** | **367** | 22 | 48 | 199 |
| Benefits paid | | **(337)** | **(341)** | | | |
| Actuarial [gains]/ losses on obligation | **(8)** | **1,417** | **779** | (28) | (114) | - |
| Closing obligation | **50** | **1,239** | **1,075** | 24 | 112 | 256 |
| **C Change in the fair value of plan assets:** | | | | | | |
| Opening fair value of plan assets | - | - | **92** | - | - | 85 |
| Expected return on plan assets | | | | | | 7 |
| Contributions by employer | | | | | | |
| Benefits paid | | | - | | | |
| Actuarial [losses]/ gains | | | | | | |
| Closing fair value of plan assets | - | - | **92** | - | - | - |
| Total actuarial [losses]/ gains to be | | | | | | 92 |
| recognised | **8** | **(1,417)** | **(779)** | 28 | 114 | - |
| **D Actual return on plan assets:** | | | | | | |
| Expected return on plan assets | - | - | - | - | - | 7 |
| Actual return on plan assets | - | - | - | - | - | 7 |
| **E Amount recognised in the balance sheet:** | | | | | | |
| Liabilities/ [Assets] at the end of the year | **50** | **1,239** | **1,075** | 24 | 112 | 256 |
| Fair value of plan assets at the end of the year | | | | | | (92) |
| Difference | **50** | **1,239** | **1,075** | 24 | 112 | 164 |
| Liabilities/ [Assets] recognised in the Balance Sheet | **50** | **1,239** | **1,075** | 24 | 112 | 164 |
| **F Expenses/ [Incomes] recognised in the Statement of Profit and Loss:** | | | | | | |
| Current service cost | **32** | **39** | **367** | 22 | 48 | 199 |
| Interest cost on benefit obligation | **2** | **8** | **14** | 2 | 12 | 4 |
| Expected return on plan assets | - | - | - | - | - | (7) |
| Net actuarial [gains]/ losses in the year | - | **1,417** | - | (28) | (114) | - |
| Amount included in "Employee Benefit Expens | **34** | **1,464** | **381** | (4) | (54) | 196 |
| Return on plan assets excluding amounts included in interest income | | | | | | |
| Net actuarial [gains]/ losses in the year | **(8)** | | **778** | | | |
| Amounts recognized in OCI | **(8)** | | **778** | | | |
| **G Movement in net liabilities recognised in Balance Sheet:** | | | | | | |
| Opening net liabilities | **(4)** | **112** | **164** | | 166 | |
| Transfer under the Scheme [*] | | | | | | |
| Expenses as above [P & L Charge] | **34** | **1,464** | **381** | (4) | (54) | 196 |
| Employer's contribution | **28** | **(337)** | **(248)** | - | - | (32) |
| Amount recognised in OCI | **(8)** | - | **778** | | | |
| Benefits Paid | | | | | | |
| Liabilities/ [Assets] recognised in the Balance Sheet | **50** | **1,239** | **1,075** | (4) | 112 | 164 |

KANTILAL PATEL
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**Note: 14-Long Term Provisions-Continued:**

**H Principal actuarial assumptions for defined benefit plan and long term employment benefit plan:**

| Particulars | As at March 31, 2017 | As at March 31, 2016 | As at April 1, 2015 |
|---|---|---|---|
| Discount rate [$] | 6.95% | 7.80% | 7.80% |
| Annual increase in salary cost [#] | 12% for 1st 4 years, 9% thereafter | 12% for 1st 5 years, 9% thereafter | 7.50% for all years |

[$] The rate of discount is considered based on market yield on Government Bonds having currency and terms in consistence with the currency and terms of the post employment benefit obligations.

[#] The estimates of future salary increases are considered in actuarial valuation, taking into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

**I Amount recognised in current and previous year :**

| | As at March 31 | |
|---|---|---|
| **Gratuity:** | **2017** | 2016 |
| Defined benefit obligation | **1,075** | 256 |
| Fair value of Plan Assets | **92** | - |
| Deficit/ [Surplus] in the plan | **983** | 256 |
| Actuarial Loss/ [Gain] on Plan Obligation | **779** | - |
| Actuarial Loss/ [Gain] on Plan Assets | **-** | - |

The expected contributions for Defined Benefit Plan for the next financial year will be in line with FY 2016-17.

The average duration of the defined benefit plan obligation at the end of the reporting period is 30.58 years [as at March 31 2016: 30.69 years]

**Sensitivity analysis:**

A quantitative sensitivity analysis for significant assumption is shown below:

| Assumptions | INR-Thousand | | | | | |
|---|---|---|---|---|---|---|
| | Medical Leave | | Leave Wages | | Gratuity | |
| | As at March 31 | | | | | |
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Impact on obligation: | | | | | | |
| Discount rate increase by 0.5% | **48** | 22 | **1,203** | 108 | **1,027** | 244 |
| Discount rate decrease by 0.5% | **51** | 24 | **1,278** | 117 | **1,125** | 269 |
| Annual salary cost increase by 0.5% | **51** | 24 | **1,277** | 117 | **1,123** | 269 |
| Annual salary cost decrease by 0.5% | **48** | 22 | **1,204** | 108 | **1,028** | 245 |

**The following payments are expected contributions to the defined benefit plan in future years:**

| | INR-Thousand | |
|---|---|---|
| | As at March 31 | |
| | **2017** | 2016 |
| Within the next 12 months [next annual reporting period] | **-** | - |
| Between 2 and 5 years | **2,364** | 392 |
| **Total expected payments** | **2,364** | 392 |

**Note: 15-Deferred Tax:**

**A** Break up of Deferred Tax Liabilities and Assets into major components of the respective balances are as under:

INR-Thousand

| | As at April 1 2015 | Charge for the previous year | As at March 31 2016 | Charge for the current year | **As at March 31 2017** |
|---|---|---|---|---|---|
| Deferred Tax Liabilities: | | | | | |
| Depreciation | | | | (43,360) | **(43,360)** |
| Deferred Tax Assets: | | | | | |
| Employee benefits/ Payable to Statutory Authorities | | | | 241 | **241** |
| | - | - | - | 241 | **241** |
| **Net Deferred Tax Liabilities** | - | - | - | (43,119) | **(43,119)** |

**B** The Net Deferred Tax Expense of INR 43,119 for the year has been charged [Previous Year INR Nil has been charged] in the Statement of Profit and Loss.

**C** The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority. The Company has tax losses of INR 186546 Thousands [as at March 31, 2016 - INR NIL] that are available for offsetting against future taxable profits. Unabsorbed Depreciation is allowed to be set-off for indefinite period.

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

| | INR-Thousand | | |
|---|---|---|---|
| | As at | | |
| | **March 31, 2017** | March 31, 2016 | April 1, 2015 |
| **Note: 16-Trade Payables:** | | | |
| Micro, Small and Medium Enterprises [*] | - | - | - |
| Others | **48,108** | 91,753 | 12,032 |
| **Total** | **48,108** | 91,753 | 12,032 |
| [*] Disclosure in respect of Micro, Small and Medium Enterprises: | | | |
| A Principal amount remaining unpaid to any supplier as at year end | | | |
| B Interest due thereon | | | |
| C Amount of interest paid by the Company in terms of section 16 of the MSMED Act, along with the amount of the payment made to the supplier beyond the appointed day during the year | | | |
| D Amount of interest due and payable for the year of delay in making payment [which have been paid but beyond the appointed day during the year] but without adding the interest specified under the MSMED Act | | | |
| E Amount of interest accrued and remaining unpaid at the end of the accounting year | | | |
| F Amount of further interest remaining due and payable in succeeding years | | | |
| The above information has been compiled in respect of parties to the extent to which they could be identified as Micro, Small and Medium Enterprises on the basis of information available with the Company. | | | |
| **Note: 17-Other Financial Liabilities:** | | | |
| Interest accrued but not due | **175,583** | 60,777 | 10,547 |
| Provision for Expenses | **8,901** | 2,888 | 381 |
| **Total** | **184,484** | 63,665 | 10,928 |
| **Note: 18-Other Current Liabilities:** | | | |
| Payable to Statutory Authorities | **16,489** | 7,881 | 1,631 |
| **Total** | **16,489** | 7,881 | 1,631 |
| **Note: 19-Provisions:** | | | |
| Provision for Employee Benefits | **217** | 175 | - |
| **Total** | **217** | 175 | - |
| **Note: 20-Current Tax Liabilities [Net]:** | | | |
| Provision for Taxation {Net of Advance payment As at 31st March, 2015 Rs. 129 Thousand} | **1** | 1 | - |
| **Total** | **1** | 1 | - |
| **Note: 21-Contingent Liabilities and Commitments [to the extent not provided for]:** | | | |
| **A Contingent Liabilities:** | | | |
| a. i In respect of guarantees given by Banks and/ or counter guarantees given by the Company | **89,263** | 84,955 | - |
| b Other money for which the company is contingently liable: | | | |
| i Letters of Credit for Imports | - | 67,972 | - |
| ii The Company has imported certain capital equipment at concessional rate of custom duty under "Export promotion of Capital Goods Scheme" of the Central Government. The Company has undertaken an incremental export obligation to the | | | |
| - extent of US $ Thousand | **4,790** | - | - |
| - equivalent to INR Thousand approx. | **310,570** | 255,385 | - |
| to be fulfilled during a specified period as applicable from the date of imports. The unprovided liability towards custom duty payable thereon in respect of unfulfilled export obligations | | | |
| **B Commitments:** | | | |
| a Estimated amount of contracts remaining to be executed on capital account and not provided for | | | |
| - Net of advance of | **62,649** | 90,664 | 865,354 |

KANTILAL PATEL & CO. AHMEDABAD Chartered Accountants

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

| | INR-Thousand | |
|---|---|---|
| | Year ended March 31 | |
| | **2017** | 2016 |
| **Note: 22-Revenue from Operations:** | | |
| Other Operating Revenues: | | |
| Job work charges for Scale Up and Exhibit Batches | **18,600** | - |
| **Total** | **18,600** | - |
| **Note: 23-Other Income:** | | |
| Finance Income: | | |
| Interest Income from Others [Other than current investments] | **197** | 121 |
| Gain on Sale of Investments | **-** | 600 |
| **Total** | **197** | 721 |
| **Note: 24-Cost of Materials Consumed:** | | |
| Raw Materials [Pharmaceutical Ingredients]: | | |
| Add: Purchases | **1,325** | - |
| | **1,325** | - |
| Less: Stock at close | **-** | - |
| | **1,325** | - |
| Packing Materials consumed | **-** | - |
| **Total** | **1,325** | - |
| **Note: 25-Employee Benefits Expense:** | | |
| Salaries and wages | **21,899** | - |
| Contribution to provident and other funds [*] | **173** | - |
| Staff welfare expenses | **1,972** | - |
| **Total** | **24,044** | - |
| [*] The Company's contribution towards defined contribution plan | **1,111** | |
| The Company makes Provident Fund contributions to defined contribution retirement benefit plans for qualifying employees, as specified under the law. The contributions are paid to the Provident Fund Trust set up by the Company or to the respective Regional Provident Fund Commissioner under the Pension Scheme. The Company is generally liable for annual contribution and any shortfall in the trust fund assets based on the government specified minimum rate of return and recognises such contribution and shortfall, if any, as an expense in the year it is incurred. | | |
| **Note: 26-Finance Cost:** | | |
| Interest expense on term loans | **1,886** | 15 |
| Bank commission & charges | **185** | 1 |
| **Total** | **2,071** | 16 |
| **Note: 27-Other Expenses:** | | |
| Consumption of Stores and spare parts | **9,504** | - |
| Power & fuel | **13,706** | - |
| Rent | **226** | - |
| Repairs to Buildings | **292** | - |
| Repairs to Plant and Machinery | **3,006** | - |
| Insurance | **235** | 49 |
| Penalty for late filing of Excise return | **5** | - |
| Loss on sale of assets | **23** | - |
| Rates and Taxes [excluding taxes on income] | **-** | 110 |
| Traveling Expenses | **228** | - |
| Legal and Professional Fees [*] | **221** | 48 |
| Net [Gain]/ Loss on foreign currency transactions in relation to trade purchase. | **148** | - |
| Other administrative expenses | **10,605** | - |
| **Total** | **38,199** | 207 |

KANTILAL PATEL & CO. AHMEDABAD

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

| | | INR-Thousand | |
|---|---|---|---|
| | | Year ended March 31 | |
| | | **2017** | 2016 |
| **Note: 27-Other Expenses-Continued:** | | | |
| [*] Legal and Professional Fees Includes : | | | |
| a Payment to the Statutory Auditors [excluding Service Tax]: | | | |
| i - As Auditor | | **40** | 30 |
| **Note: 28-Tax Expenses:** | | | |
| **The major components of income tax expense are:** | | | |
| **A Statement of profit and loss:** | | | |
| **Profit or loss section:** | | - | - |
| **Current income tax:** | | | |
| Current income tax charge | | - | 223 |
| | | - | 223 |
| **Deferred tax:** | | | |
| Relating to origination and reversal of temporary differences [Refer Note-15] | | **43,360** | - |
| **Tax expense reported in the statement of profit and loss** | | **43,360** | **223** |
| **OCI Section:** | | | |
| Tax related to items recognised in OCI during in the year: | | | |
| Net loss/ (gain) on remeasurements of defined benefit plans | | **778** | - |
| Tax charged to OCI | | **241** | - |
| **B Reconciliation of tax expense and accounting profit multiplied by India's domestic tax rate:** | | | |
| Profit before tax | | **(47,248)** | 310 |
| Enacted tax rate in India (%) | | **35** | 35 |
| Expected Tax Expenses | | - | 107 |
| Adjustments for: | | | |
| Effect of unrecognized deferred tax assets/ liabilities | | **(43,360)** | (12) |
| Effect of MAT Credit available on which deferred tax asset is not created | | - | 127 |
| Total | | **(43,360)** | 223 |
| **Tax Expenses as per Statement of Profit and Loss** | | **(43,360)** | 223 |
| **Note: 29-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 | INR-Thousand | **(3,888)** | 87 |
| B Basic and weighted average number of Equity shares outstanding during the year | Numbers | **2,000,000** | 2,000,000 |
| C Nominal value of equity share | INR | **10** | **10** |
| D Basic & Diluted EPS | INR | **(1.94)** | 0.04 |

KANTILAL PATEL & CO. AHMEDABAD CHARTERED ACCOUNTANTS

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

**Note: 30-Related Party Transactions:**

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

**a Holding Company:**

Cadila Healthcare Limited

**b Fellow Subsidiaries:**

Dialforhealth India Limited
Dialforhealth Unity Limited
Dialforhealth Greencross Limited
Zydus Healthcare Limited [Refer Note-4 $]
Zydus Wellness Limited
M/s. Zydus Wellness-Sikkim, a Partnership Firm
Zydus Technologies Limited
Biochem Pharmaceutical Industries Limited [Refer Note-4 $]
Alidac Pharmaceuticals Limited
Zydus Lanka (Private) Limited [Sri Lanka]
Zydus Healthcare Philippines Inc. [Philippines]
Zydus International Private Limited [Ireland]
Zydus Netherlands B.V. [the Netherlands]
ZAHL B.V. [the Netherlands]
ZAHL Europe B.V. [the Netherlands]
Bremer Pharma GmbH [Germany]
Alidac Healthcare (Myanmar) Limited [Myanmar]
Zydus Pharmaceuticals (USA) Inc. [USA]
Nesher Pharmaceuticals (USA) LLC [USA]
Zydus Healthcare (USA) LLC [USA]
Sentynl Therapeutics Inc. [USA}
Zydus Noveltech Inc. [USA]
Hercon Pharmaceuticals LLC [USA]
Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Script Management Services (Pty) Ltd [South Africa]
Zydus France, SAS [France]
Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus Pharma Japan Co. Ltd. [Japan] [Liquidated during the year]
Laboratorios Combix S.L. [Spain]
Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Etna Biotech S.R.L. [Italy]
Zydus Worldwide DMCC [Dubai]
Zydus Discovery DMCC [Dubai]

**c Directors and their relatives:**

| | |
|---|---|
| Mr. Pranav D. Patel | Chairman |
| Mr. Amit B. Jain | Director |
| Mr. R. R. Tuljapurkar | Director |

**d Enterprises significantly influenced by Directors and/or their relatives:**

Travel "n" Ease Private Limited
Oneiro Chemicals Limited
Abhigam Consultants Private Limited

**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 Note 30-A [a & d]

| Nature of Transactions | Value of the Transactions [INR Thousand] Holding Company Year ended March 31, 2017 | 2016 | Enterprises significantly influenced by Directors and/ or their relatives 2017 | 2016 |
|---|---|---|---|---|
| **Purchases:** | | | | |
| **Goods:** | | | | |
| Cadila Healthcare Limited | **2,080** | 5,699 | - | 0 |
| **Services:** | | | | |
| Cadila Healthcare Limited | **13,540** | 1,080 | | |
| Travel "n" Ease Private Limited | | | **1,650** | 3,580 |
| **Investments:** | | | | |
| **Loan Received** | | | | |
| Cadila Healthcare Limited | **855,410** | 1,212,000 | | |
| **Interest accrued and due (Gross)** | | | | |
| Cadila Healthcare Limited | **195,092** | 67,530 | | |
| **Outstanding Payable ( Including Interest) :** | | | | |
| Cadila Healthcare Limited ( Loan ) | **2,372,030** | 1,516,620 | | |
| Cadila Healthcare Limited ( Interest) | **195,090** | 67,530 | | |

**b** There are no transactions with parties referred to in Note 30-A [b & c]

**Note: 31-Financial Instruments:**

**A Fair values hierarchy:**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: Quoted prices [unadjusted] in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

**Financial Assets:**

The carrying amounts of trade receivables, other financial assets and cash and cash equivalents are considered to be the approximately equal to the fair values.

**Financial Liabilities:**

Fair values of loans from banks, other financial liabilities and trade payables are considered to be approximately equal to the carrying values.

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**Note: 32-Financial Risk Management:**

**A Financial instruments by category:**

| | INR-Thousand | |
|---|---|---|
| | **As at March 31, 2017** | |
| | **Amortised Cost** | **Total** |
| **Financial assets:** | | |
| Cash and Cash Equivalents | 20,576 | 20,576 |
| Other Financial Assets | 603 | 603 |
| Other Non-Current Assets | 61,756 | 61,756 |
| Current Loans | 326 | 326 |
| **Total** | **83,261** | **83,261** |
| **Financial liabilities:** | | |
| Borrowings [including current maturities and interest accrued but not due] | 2,472,030 | 2,472,030 |
| Trade payables | 48,108 | 48,108 |
| Non Current Other Financial Liabilities | 29,743 | 29,743 |
| Other Financial Liabilities | 184,484 | 184,484 |
| **Total** | **2,734,365** | **2,734,365** |
| | | |
| | **As at March 31, 2016** | |
| | **Amortised Cost** | **Total** |
| **Financial assets:** | | |
| Cash and Cash Equivalents | 1,738 | 1,738 |
| Other Financial Assets | 2,669 | 2,669 |
| Other Non-Current Assets | 100,607 | 100,607 |
| Current Loans | 114 | 114 |
| **Total** | **105,128** | **105,128** |
| **Financial liabilities:** | | |
| Borrowings [including current maturities and interest accrued but not due] | 1,616,620 | 1,616,620 |
| Trade payables | 91,753 | 91,753 |
| Non Current Other Financial Liabilities | 118,666 | 118,666 |
| Other Financial Liabilities | 63,666 | 63,666 |
| **Total** | **1,890,705** | **1,890,705** |
| | | |
| | **As at April 1, 2015** | |
| | **Amortised Cost** | **Total** |
| **Financial assets:** | | |
| Cash and Cash Equivalents | 2,171 | 2,171 |
| Other Financial Assets | 2,361 | 2,361 |
| Other Non-Current Assets | 219,564 | 219,564 |
| Current Loans | 93 | 93 |
| **Total** | **224,189** | **224,189** |
| **Financial liabilities:** | | |
| Borrowings [including current maturities and interest accrued but not due] | 304,620 | 304,620 |
| Trade payables | 12,032 | 12,032 |
| Non Current Other Financial Liabilities | 5,226 | 5,226 |
| Other Current Financial Liabilities | 10,928 | 10,928 |
| **Total** | **332,806** | **332,806** |

**B Risk Management:**

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

The Company's risk management is done in close co-ordination with the board of directors and focuses on actively securing the Company's short, medium and long-term cash flows by minimizing the exposure to volatile financial markets. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below:

**a Credit risk:**

Credit risk arises from the possibility that counter party may not be able to settle their obligations as agreed. The Company periodically assesses the financial reliability of the counter party taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual customer limits are set accordingly.

i Trade Receivable: The Company trades with recognized and credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Company's exposure to bad debts is not significant.

ii There are no significant credit risks with related parties of the Company.

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**Note: 32-Financial Risk Management:-Continued:**

**b Liquidity risk:**

a Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

b Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. In addition, the Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet its obligation.

**Maturities of financial liabilities:**

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | INR-Thousand | | | | |
|---|---|---|---|---|---|
| | < 1 year | 1-2 year | 2-3 year | > 3 years | Total |
| | As at March 31, 2017 | | | | |
| **Non-derivative Financial Liabilities:** | | | | | |
| Borrowings [including current maturities and interest] | - | - | - | 2,667,120 | **2,667,120** |
| Other non current financial liabilities | - | 29,743 | - | - | **29,743** |
| Trade payable | 48,108 | | | | **48,108** |
| Accrued Expenses | 184,484 | | | | **184,484** |
| **Total** | **232,592** | **29,743** | **-** | **2,667,120** | **2,929,455** |
| | As at March 31, 2016 | | | | |
| **Non-derivative Financial Liabilities:** | | | | | |
| Borrowings [including current maturities and interest] | | | | 1,684,150 | **1,684,150** |
| Other non current financial liabilities | | 118,666 | | | **118,666** |
| Trade payable | 91,753 | | | | **91,753** |
| Accrued Expenses | 63,665 | | | | **63,665** |
| **Total** | **155,418** | **118,666** | **-** | **1,684,150** | **1,958,234** |
| | As at April 1, 2015 | | | | |
| **Non-derivative Financial Liabilities:** | | | | | |
| Borrowings [including current maturities and interest] | | | | 315,167 | **315,167** |
| Other non current financial liabilities | - | 5,226 | | | **5,226** |
| Trade payable | 12,032 | | | | **12,032** |
| Accrued Expenses | 10,928 | | | | **10,928** |
| **Total** | **22,960** | **5,226** | **-** | **315,167** | **343,353** |

**c Foreign currency risk:**

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Company's operations in foreign currency creates natural foreign currency hedge. This results in insignificant net open foreign currency exposures considering the volumes and operations of the Company.

**Sensitivity *:**

The sensitivity of profit or loss and equity to changes in the exchange rates arises mainly from foreign currency denominated financial instruments:

| | INR-Thousand | | | | | |
|---|---|---|---|---|---|---|
| | March 31, 2017 | | | March 31, 2016 | | |
| | Movement in Rate | Impact on PAT [*] | Impact on Other Equity [*] | Movement in Rate | Impact on PAT [*] | Impact on Other Equity [*] |
| USD | 4.00% | (569) | | 5.00% | (200) | |
| USD | -4.00% | 569 | | -5.00% | 200 | |
| EUR | 8.00% | 150 | | 12.00% | (2,836) | |
| EUR | -8.00% | (150) | | -12.00% | 2,836 | |
| Others | 5.00% | - | | 5.00% | 131 | |
| Others | -5.00% | - | | -5.00% | (131) | |

* Holding all other variables constant

**c Interest rate risk:**

**Liabilities:**

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at March 31, 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates.

**Sensitivity *:**

Below is the sensitivity of profit or loss and equity changes in interest rates:

| | Movement in Rate | INR-Thousand | |
|---|---|---|---|
| | | As at | |
| | | March 31, 2017 | March 31, 2016 |
| Interest rates | +0.50% | **8,082** | 5,286 |
| Interest rates | -0.50% | **8,082** | 5,286 |

* Holding all other variables constant

PATEL & CO. AHMEDABAD Chartered Accountants

**LIVA PHARMACEUTICALS LIMITED**
**Notes to the Financial Statements**

**Note: 33- First Time Adoption of Ind AS:**

The accounting policies set out in the note here have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 [the Company's date of transition].

In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies [Accounting Standards] Rules, 2006 [as amended] and other relevant provisions of the Act [Indian GAAP]. An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following notes.

**Exemptions and exceptions availed:**

Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS.

**A Deemed cost:**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for consequential impacts of applying standards other than that of property, plant and equipment. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying values.

**B Leases:**

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material. The Company has elected to apply this exemption for such contracts/ arrangements.

**C Estimates:**

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP [after adjustments to reflect any difference in accounting policies], unless there is objective evidence that those estimates were in error. Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

**D Classification of financial assets:**

As per the requirements of Ind AS 101 the Company has assessed classification of financial assets on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

**E De-recognition of financial assets and liabilities:**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing; provided that the information needed to apply Ind AS 109 to financial assets or financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provision of Ind AS 109 prospectively from the date of transition to Ind AS.

**Note: 34- Reconciliation with previous GAAP:**

| | | **INR-Thousand** | |
|---|---|---|---|
| | | **As at** | |
| | | **March 31, 2016** | April 1, 2015 |
| **A** | **Reconciliation of equity:** | | |
| | **Equity as per previous GAAP** | **19,721** | 19,634 |
| | **Add [Less]: Adjustments:** | | |
| a | Others | - | - |
| | **Equity as per Ind AS** | **19,721** | 19,634 |
| **B** | **Reconciliation of Net Profit for the year ended March 31, 2016:** | | |
| | **Profit after Tax as per previous GAAP** | **87** | 127 |
| | **Add [Less]: Adjustments in statement of profit and loss** | | |
| a | Others | | |
| | | **87** | 127 |
| | **Net Profit after tax as per Ind AS** | | |
| | Other Comprehensive Income (Net of Tax) | | |
| | **Total Comprehensive Income for the year as per Ind AS** | | |

**C. Statement of Cash Flows:**

The transition from IGAAP to Ind AS has not had a material impact on the statement of cash flows.

**Signatures to Significant Accounting Policies and Notes 1 to 34 to the Financial Statements**

As per our report of even date
For Kantilal Patel & Co.,
Chartered Accountants
Firm Registration Number: 104744W

KANTILAL PATEL & CO. "PARITOSH" 2nd Floor Usmanpura (River Front) Ahmedabad 380 013. CHARTERED ACCOUNTANTS

Jinal Patel
Partner
Membership Number:153599
Ahmedabad, Dated: 25-05-2017

For and on behalf of the Board

Pranav D. Patel

Pranav D. Patel
Chairman

Amit Jain
Director