



TO THE MEMBERS OF VIVIMED LABS (ALATHUR) PRIVATE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of VIVIMED LABS (ALATHUR) PRIVATE LIMITED which comprises of Balance Sheet as at 31st March, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the 15 months period from 1st January, 2013 to 31st March, 2014 and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 (the Act) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- b) In the case of the Statement of Profit and Loss, of the Loss for the year ended on that date; and
- c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.





REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- 1) As required by the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central Government of India in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2) As required by Section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received from the directors as on March 31, 2014, taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of Section 274(1)(g) of the Act.

Chennai

Date: 13th August, 2014



FOR V.KRISHNAN & CO.,
CHARTERED ACCOUNTANTS
F.R.N.001541S

J. Sivakumar

J.SIVAKUMAR
PARTNER
M.NO.217774



ANNEXURE TO AUDITOR'S REPORT

(Referred to in paragraph 1 under "Report on other Legal and Regulatory Requirements" section of our report of even date)

- 1) In respect of its fixed assets:
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets owned.
 - b) The company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of two years. In our opinion this periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
 - c) During the year, the company has disposed one of the unit's (API) fixed asset having NBV of Rs.36,62,33,083/- for the consideration of Rs. 25,57,80,000/-
- 2) In respect of its inventory:
 - a) The inventory has been physically verified during the year by the management at reasonable intervals.
 - b) The procedures for physical verification of inventory followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.
 - c) The Company is maintaining proper records of inventory. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- 3)
 - a) The Company has granted Unsecured loan to a company covered in the register maintained under section 301 of the companies act 1956 The maximum outstanding during the year was Rs.64,97,57,920/- and the balance of such to such loans (excluding interest) was Rs. 64,97,57,920/-
 - b) The Company has taken Unsecured loan to a company covered in the register maintained under section 301 of the companies act 1956 The maximum outstanding during the year was Rs.17,51,69,405/- and the balance of such to such loans (excluding interest) was Rs. Rs.17,51,69,405/-
 - c) In our opinion, according to the information and explanations given to us, these loans are short term loans without interest.
- 4) In our opinion and according to the information and explanations given to us, there is an adequate internal control commensurate with the size of the company and the nature of its business with regard to fixed assets. During the course of our audit, we have not observed any major weaknesses in internal control system.
- 5) According to the information and explanations given to us, we are of the opinion the particulars of contracts or arrangements referred to in section 301 of the companies Act, 1956 have been entered into the register required to be maintained under that section.
- 6) The Company has not accepted or renewed deposits from public contravening the directives issued by Reserve Bank of India and the provision of section 58A & Section 58 AA of the Companies Act, 1956 and the rules framed there under.





- 7) In our opinion, the internal audit system of the company is commensurate with the size and nature of its Business.
- 8) We have broadly reviewed the books of account maintained by the company pursuant to the Rules made by the Central Government for the maintenance of cost records under section 209 (1) (d) of the companies Act, 1956 and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records.
- 9) According to the information and explanations given to us in respect of the statutory dues:
- The Company has been regular in depositing with appropriate authorities undisputed statutory dues, including Provident fund, investor education protection fund, employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to it.
 - According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, service tax, custom duty, excise duty and cess were in arrears as on 31, March 2014 for period of more than six months from the date they became payable.
 - According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, custom duty, excise duty and cess which have not been deposited on account of any dispute. However, the following dues of service tax has not been deposited by the company on account of disputes.

| Nature of the Dues | Amount | Period to which the amount relates | Forum where dispute is pending |
|--------------------|-------------|------------------------------------|--|
| Service Tax | 77,12,821/- | April 2007 to March 2010 | Central Excise and Service Tax appellate Tribunal. |

- 10) The company does not have accumulated loss at the end of the financial year. However, the company has incurred losses Rs. 10,09,21,167/- (Loss after deferred tax benefit) and Rs. 11,48,47,314/- (Loss before deferred tax benefit) during the year.
- 11) In our option and according to the information and explanations given to us, the company has not defaulted any repayment of dues to a financial institution, bank or debenture holders.
- 12) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13) We have been informed that the company has not given any guarantee for loans taken by others from bank or financial institution; as such the clause 4 (xv) is not applicable.
- 14) According to the information and explanations given to us and on overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short term assets.





- 15) According to the information given to us, the company has not made preferential allotment of shares to parties and companies covered in register maintained under section 301 of the Companies Act, 1956.
- 16) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the period.
- 17) Having regard to the nature of the company's business/activities/result during the period, clauses xiii, xiv, xvi, xix and xx of para 4 of the Order are not applicable to the Company.

Chennai
Date: 13th August, 2014



For V.Krishnan & Co.
Chartered Accountants
(Firm Registration No.: 001541S)

J. Sivakumar

J.SIVAKUMAR
Partner

Membership No.: 217774

Vivimed Labs (Alathur) Private Limited

Balance sheet as at 31st March, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

| | Note | As at March 31, 2014 | As at December 31, 2012 |
|--------------------------------|------|-----------------------------|-----------------------------|
| EQUITY AND LIABILITIES | | | |
| Shareholders' funds | | | |
| Share capital | 3 | 501,700,000 | 658,751,890 |
| Reserves and surplus | 4 | 514,836,420 | 829,348,156 |
| | | <u>1,016,536,420</u> | <u>1,488,100,046</u> |
| Non-current liabilities | | | |
| Long-term borrowings | 5 | - | 400,467,990 |
| Other long-term liabilities | 7 | - | 14,443,151 |
| Long-term provisions | 8 | 32,672,549 | 84,443,018 |
| | | <u>32,672,549</u> | <u>499,354,159</u> |
| Current liabilities | | | |
| Short term borrowings | 9 | 175,169,405 | - |
| Trade payables | 10 | 114,379,743 | 145,531,043 |
| Other current liabilities | 11 | 8,424,090 | 18,213,260 |
| Short term Provisions | 12 | 4,606,517 | 2,599,083 |
| | | <u>302,579,754</u> | <u>166,343,386</u> |
| TOTAL | | <u><u>1,351,788,723</u></u> | <u><u>2,153,797,591</u></u> |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | | | |
| Tangible fixed assets | 13 | 486,306,865 | 824,856,164 |
| Capital WIP | 15 | 5,329,830 | - |
| Intangible fixed assets | 14 | 32,562,079 | 47,986,743 |
| Deferred tax assets (net) | 6 | 12,229,832 | 34,219 |
| Long-term loans and advances | 16 | 14,031,961 | 14,195,094 |
| | | <u>550,460,567</u> | <u>887,072,220</u> |
| Current assets | | | |
| Inventories | 17 | 89,728,573 | 181,279,990 |
| Trade receivables | 18 | 1,932,880 | 919,586,636 |
| Cash and bank balances | 19 | 11,031,140 | 32,124,814 |
| Short-term loans and advances | 20 | 698,635,563 | 132,296,236 |
| Other current assets | 21 | - | 1,437,695 |
| | | <u>801,328,156</u> | <u>1,266,725,371</u> |
| TOTAL | | <u><u>1,351,788,723</u></u> | <u><u>2,153,797,591</u></u> |

Significant accounting policies 2

The notes referred to above form an integral part of the financial statements

As per books of accounts provided for our verification

for V. Krishnan & Co.

Chartered Accountants

Firm registration no : 001541S

J. Sivakumar

J Sivakumar

Partner

Membership No: 217774

Place: Chennai

Date: 13th August 2014



for Vivimed Labs (Alathur) Pvt. Ltd.

Santosh Varalwar

Santosh Varalwar

Director

Place: Chennai

Date: 13th August 2014

Dr. Kumar

Dr. Kumar

Director

Vivimed Labs (Alathur) Private Limited

Statement of Profit and loss for the year ended 31st March 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

| | Note | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|--|------|---------------------------------|---------------------------------|
| REVENUE | | | |
| Revenue from operations | 22 | 944,837,305 | 1,779,461,098 |
| Other income | 23 | 10,257,247 | 41,755,557 |
| | | <u>955,094,552</u> | <u>1,821,216,655</u> |
| EXPENSES | | | |
| Cost of materials consumed | 24 | 641,494,843 | 1,136,803,174 |
| Changes in inventories of finished goods and work-in-progress | 25 | 67,362,721 | 23,719,202 |
| Employee benefits | 26 | 165,223,384 | 193,421,927 |
| Finance costs | 27 | 16,948,858 | 39,267,942 |
| Depreciation and amortisation | 28 | 103,880,272 | 121,905,934 |
| Other expenses | 29 | 144,426,145 | 178,666,615 |
| Exchange Gain /Loss | 30 | (69,394,357) | |
| | | <u>1,069,941,866</u> | <u>1,693,784,794</u> |
| Profit Before Exceptional Items and Tax | | - | 110,453,082 |
| Profit before tax | | (114,847,314) | 16,978,779 |
| <i>Income tax expense</i> | | | |
| Current tax | | | 84,823,525 |
| Deferred tax (benefit) / charge | | 13,926,147 | (39,031,693) |
| (Loss) / profit for the year | | (100,921,167) | (28,813,053) |
| Earnings Per Equity Share [nominal Value of Share Rs.10] | | | |
| Basic | | (2.01) | (0.44) |
| Diluted | | (2.01) | (0.44) |
| Weighted Average number of Equity Shares | | 50,170,000 | 65,875,189 |

Significant accounting policies

The notes referred to above form an integral part of the financial statements

As per books of accounts provided for our verification

for V.Krishnan & Co.
Chartered Accountants
Firm registration no : 001541S

J. Sivakumar

J Sivakumar
Partner
Membership No: 217774

Place: Chennai
Date: 13th August 2014



for Vivimed Labs (Alathur) Pvt. Ltd.

Santosh Varalwar
Santosh Varalwar
Director

Place: Chennai
Date: 13th August 2014

Dr. Kumar
Dr. Kumar
Director

Actavis Pharma Manufacturing Private Limited
Cash Flow Statement for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|---|---------------------------------|---------------------------------|
| Cash flow from Operating activities | | |
| Profit before tax | (114,847,314) | 16,978,779 |
| Adjustments: | | |
| Depreciation and amortisation | 103,880,272 | 121,905,934 |
| Exceptional item - impairment loss on fixed assets (refer note 39) | - | 110,453,082 |
| Loss on sale of fixed assets | - | 2,938,028 |
| Fixed assets/ Stock / Capital work in progress written off | 4,547,586 | 112,280,867 |
| Interest expense | 13,870,245 | 36,867,379 |
| Interest income | - | (227,341) |
| Provision for doubtful advances | - | 1,012,336 |
| Unrealised foreign exchange (gain) / loss | (69,394,357) | (37,967,853) |
| Bad debts written off | - | 1,333,138 |
| Operating profit before working capital changes | 52,903,746 | 348,595,570 |
| Operating cash flow before working capital changes | (61,943,568) | 365,574,349 |
| (Increase) / decrease in inventories | 87,003,831 | 246,415,026 |
| (Increase) / decrease in trade receivables | 987,048,113 | (466,144,929) |
| Decrease / (increase) in other assets | 1,600,828 | (20,865,709) |
| (Decrease) / increase in trade payables | (31,151,300) | (103,862,742) |
| Increase / (decrease) in other liabilities | (9,789,170) | (148,724,395) |
| Increase / (decrease) in provisions | (48,032,501) | 10,328,494 |
| Cash generated from operations | 924,736,233 | (117,279,906) |
| Income tax paid | 0 | (55,500,000) |
| Net cash provided / (used) by operating activities (A) | 924,736,233 | (172,779,906) |
| Cash flow from Investing activities | | |
| Purchase or construction of fixed assets (tangible and intangible fixed assets, capital work-in-progress, intangible assets under development) and capital advances | (12,115,642) | (67,055,961) |
| Proceeds from sale of fixed assets | 256,879,503 | 1,597,310 |
| Interest received | - | 182,998 |
| Net cash provided / (used) by investing activities (B) | 244,763,861 | (65,275,653) |
| Cash flow from Financing activities | | |
| Proceeds from long term borrowings | 175,169,405 | 400,000,000 |
| Repayment of term loans | (414,911,141) | (144,000,000) |
| Loan given to group companies | (566,339,327) | 0 |
| Repayment of finance lease obligations | - | (1,444,477) |
| Buy Back of shares | (370,642,460) | - |
| Interest expense | (13,870,245) | (22,424,228) |
| Net cash provided / (used) by financing activities (C) | (1,190,593,768) | 232,131,295 |
| Net increase / (decrease) in cash and cash equivalents (A+B+C) | (21,093,674) | (5,924,264) |
| Cash and cash equivalents at the beginning of the year | 32,124,814 | 38,049,078 |
| Cash and cash equivalents at the end of the year | 11,031,140 | 32,124,814 |

Notes to cash flow statement

I. Components of cash and cash equivalents

| | As at March 31, 2012 | For the year ended December 31, 2012 |
|---|-------------------------|---|
| Cash on hand | 142,802 | 101,064 |
| Balances with banks | | |
| - On current accounts | 10,846,637 | 32,023,750 |
| Cash and cash equivalents includes balances held under lien | 41,701 | - |
| | 11,031,140 | 32,124,814 |

The notes referred to above form an integral part of the financial statements

As per our report of even date attached

for V.Krishnan & Co.

Chartered Accountants

Firm registration no : 001541S

J. Sivakumar

J Sivakumar

Partner

Membership No: 217774

Place: Chennai

Date: 13th August 2014



for Vivimed Labs (Alathur) Pvt. Ltd.

Santosh Varalwar
Santosh Varalwar
Director

Dr. Kumar

Dr. Kumar
Director

Place: Chennai

Date: 13th August 2014

VIVIMED LABS (ALATHUR) PVT LTD

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

1 Background

On 1st August 2013, Vivimed Labs Ltd. completed the acquisition of the USFDA approved unit. This facility was earlier belongs to Actavis Pharma Manufacturing Private Limited ('Actavis India' / 'Company'). In respect of the formulation business, the Company is primarily engaged in the manufacturing and sale of solid oral dosage forms (tablets and capsules) for its group companies outside India. In consequence of acquisition, the company name has been changed from "Actavis Pharma Manufacturing Private Limited" to Vivimed Labs (Alathur) Private Ltd. This company is wholly owned subsidiary of Vivimed Labs Limited - Hyderabad.

2 Significant Accounting Policies**a Basis of preparation of financial statements**

The financial statements of the Company have been prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on the accrual basis. GAAP comprises accounting standards notified by the Central Government of India under Section 211 (3C) of the Companies Act, 1956, other pronouncements of Institute of Chartered Accountants of India and the provisions of Companies Act, 1956.

During the year ended March 31, 2014, the revised schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for the preparation and presentation of its financial statements. The revised schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period, reported balances of assets and liabilities, and disclosure of contingent assets and liabilities as at the date of the financial statements. Actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in current and future periods.

c Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation. The cost of fixed assets includes freight, duties, taxes and other incidental expenses related to the acquisition or construction of the respective assets but exclude taxes and duties that are recoverable subsequently from taxing authorities. Borrowing cost directly attributable to acquisition or construction of those fixed assets which necessarily taken a substantial period of time to get ready for their intended use are capitalized.

Depreciation is provided on the straight line method. The rates of depreciation prescribed in Schedule XIV of the Companies Act, 1956 are considered as minimum rates. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the fixed asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at higher rate based on the management's estimate of the useful life/remaining useful life. Pursuant to this policy, depreciation is provided as below:

| Tangible fixed Assets | Rate of depreciation |
|-------------------------|----------------------|
| Buildings | 3.34% |
| Plant and machinery | 4.75% - 10.34% |
| Furnitures and fixtures | 10% |
| Computer | 20% |
| Vehicle | 20% |

Fixed assets costing individually Rs 5,000 or less are depreciated fully in the year of purchase.

Depreciation on assets acquired/sold during the year is provided for on a prorata basis from / up to the month such assets have been purchased / sold.

Advances paid towards acquisition of tangible fixed assets and the cost of assets not ready to be put to use before the year-end are disclosed under long-term capital work in progress.



VIVIMED LABS (ALATHUR) PVT LTD

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

d Intangible fixed assets and amortisation

Intangible fixed assets are recorded at the consideration paid for acquisition. Cost of an internally generated intangible asset comprises all expenditure that can be directly attributed, or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use. Intangible assets are amortized over their estimated useful lives on a straight line basis, commencing from the date the asset is available to the Company for its use.

The management estimates the useful lives for the various intangible fixed assets are as follows:

| Intangible fixed assets | Amortisation period |
|-------------------------|---------------------|
| Technical know-how | 10 years |
| Goodwill | 10 years |
| Software | 5 years |

e Impairment

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

f Research and development

Research expenditure is charged to the statement of profit and loss in the period in which it is incurred. Development expenditure is expensed until it meets the criteria for recognition as an asset, usually when a regulatory filing has been made in a major market and approval is considered highly probable.

g Leases

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalized at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability at the implicit rate of return. Finance charges are charged to the statement of profit and loss.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss.

h Revenue recognition

Revenue from sale of products is recognised on dispatch of goods to customers, which corresponds with the transfer of all significant risks and rewards of ownership to the buyer. The amount recognized as sale is exclusive of trade and quantity discounts but inclusive of excise duty.

Service income from product development is recognized in accordance with the arrangement entered with the customers when the related services are performed.

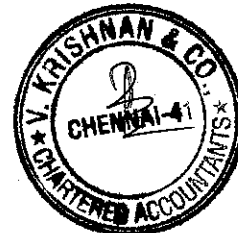
Interest income is recognized on a time proportion basis taking into account the amount outstanding and the interest rate.

i Inventories

Inventories are valued at lower of cost and net realizable value. Cost of inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to the present location and condition. Cost includes all taxes and duties, but excludes duties and taxes that are subsequently recoverable from tax authorities.

The methods of determining various cost of inventories are as follows:

| Description | Method of determining cost |
|-------------------|--|
| Raw materials | Weighted average |
| Stores and spares | Weighted average |
| Work in progress | Weighted average and including an appropriate share of production overheads |
| Finished goods | Weighted average and including an appropriate share of production overheads (excise duty in respect of closing inventory of finished goods is included as part of inventory) |



VIVIMED LABS (ALATHUR) PVT LTD

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

j Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rates on that date. Exchange differences arising on foreign exchange transactions during the year are recognised in the statement of profit and loss.

k Employee benefits

Provisions for / contributions to retirement benefits scheme are made as follows:

Defined contribution plan

Provident fund: Eligible employees receive benefits from the provident fund, which is a defined contribution plan. Both the employee and the Company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employee's basic salary. The Company has no further obligations under the plan beyond its monthly contributions.

Defined benefit plan

Gratuity: The Company provides for gratuity, a defined benefit retirement Plan (the "Gratuity Plan") covering eligible employees. The Plan provides payment to vested employees at retirement, death or termination of employment, of an amount based on the respective employee's salary and the tenure of employment with the Company. The Company provides the gratuity benefit through annual contribution to a fund managed by the Life Insurance Corporation of India (LIC). Under this scheme the settlement obligation remains with the Company although the LIC administers the scheme and determines the contribution premium required to be paid by the Company. Liabilities related to the gratuity plan are determined by actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date. Actuarial gain or loss is recognized immediately in the statement of profit and loss.

Compensated absences: Provision for compensated absence is made by the Company based on an actuarial valuation using projected unit credit method carried out by an independent actuary as at balance sheet date of the unavailed leave standing to the credit of employees in accordance with the service rules of the Company. Actuarial gain or loss is recognized immediately in the statement of profit and loss.

l Export benefits

Export benefits are recognized on an accrual basis, in the year in which the export is made and when there is no uncertainty in receiving/availing the same.

m Earnings per share

Basic earnings per share is computed by dividing net profit or loss for the period attributable to equity shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share amounts are computed after adjusting the effects of all dilutive potential equity shares. The number of shares used in computing diluted earnings per share comprises the weighted average number of shares considered for deriving basic earnings per share, and also the weighted average number of equity shares, which could have been issued on the conversion of all dilutive potential shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e. the average market value of the outstanding shares). Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

n Taxation

Income-tax expense comprise current tax (i.e. amount of tax for the period determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period). The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is a reasonable certainty that the assets can be realized in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets. Deferred tax assets are reviewed as at the balance sheet date and written down or written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized. Current tax and deferred tax assets and liabilities are offset to the extent to which the Company has a legally enforceable right to set off and they relate to taxes on income levied by the same governing taxation laws.

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VIVIMED LABS (ALATHUR) PVT LTD

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

o Provisions, contingent liabilities and contingent assets

Provisions comprise liabilities of uncertain timing or amount. Provisions are recognized when the Company recognizes that it has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.


A disclosure for a contingent liability is made when there is a possible obligation or a present 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 or disclosure is made. Contingent assets are not recognized in the financial statements.

p Cash flow statements

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from regular revenue generating, investing and financing activities of the Company is segregated.

q Recovery of expenses:

There was no Recovery of expenses from January to July 2013 before Acquisition & for post Acquisition such agreement is not there in place.



VIVIMED LABS (ALATHUR) PRIVATE LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts in Indian Rupees, except share data and unless otherwise stated)

3 Share capital

| | As at March 31, 2014 | As at December 31, 2012 |
|---|-------------------------|----------------------------|
| Authorised | | |
| 70,000,000 (December 31, 2012: 70,000,000) equity shares of Rs. 10 each | 700,000,000 | 700,000,000 |
| | <u>700,000,000</u> | <u>700,000,000</u> |
| Issued, subscribed and paid-up | | |
| 50,170,000 (December 31, 2012: 65,875,189) equity shares of Rs.10 each, fully paid up | 501,700,000 | 658,751,890 |
| | <u>501,700,000</u> | <u>658,751,890</u> |

n. Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period

| | As at March 31, 2014 | | As at December 31, 2012 | |
|------------------------------------|----------------------|--------------------|-------------------------|--------------------|
| | No. of Shares | Amount | No. of Shares | Amount |
| Equity shares | | | | |
| At the commencement of the year | 65,875,189 | 658,751,890 | 65,875,189 | 658,751,890 |
| Shares issued during the year | | | | |
| Shares bought back during the year | (15,705,189) | (157,051,890) | | |
| At the end of the year | <u>50,170,000</u> | <u>501,700,000</u> | <u>65,875,189</u> | <u>658,751,890</u> |

h. Rights, preferences and restrictions attached to equity shares

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with respect to dividends and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholders on a poll (not show of hands) are in proportion to its share of the paid-up equity capital of the Company. Voting rights cannot be exercised in respect of shares on which call or other sums presently payable have not been paid.

On winding up of the Company, the holders of equity shares will be entitled to receive the residual assets of the Company, remaining after distribution of all preferential amounts in proportion to the number of equity shares held.

c. Equity shares of Rs.10 each, fully paid up held by holding / ultimate holding company and / or their subsidiaries / associates

| | As at March 31, 2014 | | As at December 31, 2012 | |
|--|----------------------|-------------|-------------------------|-------------|
| | No. of shares | Amount | No. of shares | Amount |
| Equity shares of Rs. 10 each fully paid up | | | | |
| Vivimed Labs Limited | 50,169,999 | 658,751,880 | | |
| Actavis Holding Asia BV, Netherlands the Holding Company | | | 65,875,188 | 658,751,880 |
| Director (Nominee) | 1 | 10 | 1 | 10 |

d. Details of shareholders holding more than 5% of equity shares of Rs.10 each fully paid up in the Company

| Name of the shareholder | As at March 31, 2014 | | As at December 31, 2012 | |
|--|----------------------|--------|-------------------------|--------|
| | No. of shares | % Held | No. of shares | % Held |
| Equity shares of Rs.10 each fully paid up | | | | |
| Vivimed Labs Limited (Parent company) | 50,169,999 | 99.99% | | |
| Actavis Holding Asia BV, Netherlands the Holding Company | | | 65,875,188 | 99.99% |

4 Reserves and surplus

| | As at March 31, 2014 | As at December 31, 2012 |
|--|-------------------------|----------------------------|
| Securities premium account | | |
| At the commencement of the year | 712,580,220 | 712,580,220 |
| Premium received on allotment of shares | - | - |
| Premium repaid on buy back of shares | (213,590,570) | - |
| At the end of the year | <u>498,989,650</u> | <u>712,580,220</u> |
| Surplus in the statement of profit and loss | | |
| At the commencement of the year | 116,767,936 | 145,580,989 |
| (Loss) / Profit for the year | (100,921,167) | (28,813,053) |
| At the end of the year | <u>15,846,769</u> | <u>116,767,936</u> |
| | <u>514,836,420</u> | <u>829,348,156</u> |

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VIVIMED LABS (ALATHUR) PRIVATE LIMITED
Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

| 5 Long-term borrowings | Non-current portion | | Current maturities * | |
|--|-------------------------|----------------------------|-------------------------|----------------------------|
| | As at March 31, 2014 | As at December 31, 2012 | As at March 31, 2014 | As at December 31, 2012 |
| Term loans | | | | |
| Secured | | | | |
| Finance lease obligations | - | 467,990 | - | 408,521 |
| Unsecured | | | | |
| Rupee term Loan from Lotus Labs Private Limited | - | 400,000,000 | - | - |
| | <u>-</u> | <u>400,467,990</u> | <u>-</u> | <u>408,521</u> |
| 6 Deferred tax liabilities / (assets) (net) | | | As at March 31, 2014 | As at December 31, 2012 |
| Deferred tax liabilities | | | | |
| Excess of depreciation / amortisation on fixed assets under income-tax law over depreciation / amortisation provided in books of account | | | 31,548,328 | 9,916,025 |
| | | | <u>31,548,328</u> | <u>9,916,025</u> |
| Deferred tax assets | | | | |
| Expenditure covered by Section 43B of Income Tax Act, 1961 | | | 1,978,864 | 3,781,692 |
| Carry forward Loss | | | 32,579,171 | - |
| Others | | | 9,220,125 | 6,168,552 |
| | | | <u>43,778,160</u> | <u>9,950,244</u> |
| | | | <u>(12,229,832)</u> | <u>(34,219)</u> |
| 7 Other long-term liabilities | | | As at March 31, 2014 | As at December 31, 2012 |
| Interest accrued and not due | | | - | 14,443,151 |
| | | | <u>-</u> | <u>14,443,151</u> |
| 8 Long Term Provisions | | | | |
| | Long-term | | Short-term | |
| | As at March 31, 2014 | As at December 31, 2012 | As at March 31, 2014 | As at December 31, 2012 |
| Provision for employee benefits | | | | |
| Gratuity | 715,131 | 2,862,965 | 646,319 | 1,184,867 |
| Compensated absences (PL) | 2,375,161 | 4,242,649 | 802,312 | 1,414,216 |
| Other provisions | | | | |
| Provision for advance licenses | 22,653,086 | 18,000,000 | - | - |
| Provision for other expenses | - | - | 3,157,886 | - |
| Provision for taxation | 6,929,171 | 59,337,404 | - | - |
| | <u>32,672,549</u> | <u>84,443,018</u> | <u>4,606,517</u> | <u>2,599,083</u> |
| 9 Short term borrowings | | | As at March 31, 2014 | As at December 31, 2012 |
| Unsecured | | | | |
| Loans and advances from related parties | | | | |
| From Directors and their relatives | | | 7,729,876 | - |
| From group Companies | | | 167,439,529 | - |
| | | | <u>175,169,405</u> | <u>-</u> |
| 10 Trade payables | | | As at March 31, 2014 | As at December 31, 2012 |
| Trade payables | | | 114,379,743 | 145,531,043 |
| | | | <u>114,379,743</u> | <u>145,531,043</u> |
| 11 Other current liabilities | | | As at March 31, 2014 | As at December 31, 2012 |
| Current maturities of long-term borrowings (secured) | | | - | 408,521 |
| Employee benefits payable | | | 549,001 | 11,740,170 |
| Statutory dues payable | | | 2,347,944 | 3,758,194 |
| Others | | | 5,527,145 | 2,306,375 |
| | | | <u>8,424,090</u> | <u>18,213,260</u> |
| 12 Short Term Provision | | | <u>4,606,517</u> | <u>2,599,083</u> |



VIVIMED LABS (ALATHUR) PRIVATE LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts in Indian Rupees, except share data and unless otherwise stated)

| Sl. No. | Particulars | Gross Block | | | | | Depreciation/Amortization | | | Net Block as at 31.03.2014 | Net Block as at 31.12.2012 |
|-----------|-------------------------------------|----------------------|-------------------------|----------------------------------|--------------------|-----------------------|---------------------------|--------------------|--------------------|----------------------------|----------------------------|
| | | As at 31.12.2012 | Additions for 15 Months | Sale / Deletions during the year | As at 31.03.2014 | Dep. As on 31.12.2012 | Dep. For 15 Months | Transfer / Sales | Total Depreciation | | |
| 13 | TANGIBLE ASSETS | | | | | | | | | | |
| 1 | Freehold Land | 146,048,355 | 376,830 | 79,025,100 | 67,400,085 | 20,549,323 | 20,549,323 | - | - | 67,400,085 | 125,499,032 |
| 2 | Factory Shed/ Building | 195,438,640 | - | 49,034,064 | 146,404,576 | 33,644,135 | 18,098,527 | 22,225,714 | 22,225,714 | 124,178,862 | 161,794,505 |
| 4 | Plant & Machinery | 817,917,260 | 6408982 | 318,074,792 | 506,251,450 | 324,574,627 | 134,404,175 | 255,371,421 | 255,371,421 | 250,880,029 | 493,342,633 |
| 5 | Electrical Equipment | - | - | 44,801,353 | (44,801,353) | - | 63,532,646 | (58,318,150) | (58,318,150) | 13,516,797 | - |
| 6 | Office Equipment | - | - | 5,766,298 | (5,766,298) | - | 9,245,015 | (8,193,262) | (8,193,262) | 2,426,964 | - |
| 7 | Computers | 25,778,276 | - | 3,177,462 | 22,600,814 | 23,114,867 | 3,144,913 | 21,619,003 | 21,619,003 | 981,811 | 2,663,409 |
| 8 | Furniture | 67,187,378 | - | 15,616,054 | 51,571,324 | 26,902,391 | 8,805,560 | 24,680,007 | 24,680,007 | 26,891,317 | 40,284,987 |
| 9 | Vehicles | 3,071,443 | - | 1,556,035 | 1,515,408 | 1,799,845 | 449,981 | 1,484,408 | 1,484,408 | 31,000 | 1,271,598 |
| 10 | Books & Periodicals | - | - | - | - | - | - | - | - | - | - |
| | Total (a) | 1,255,441,352 | 6,785,812 | 517,051,158 | 745,176,006 | 430,585,188 | 258,545,577 | 258,869,141 | 258,869,141 | 486,306,865 | 824,856,164 |
| 14 | INTANGIBLE ASSETS | | | | | | | | | | |
| 1 | Technical Knowledge | 10,530,412 | - | - | 10,530,412 | 2,018,327 | 1,316,298 | 3,334,625 | 3,334,625 | 7,195,787 | 8,512,085 |
| 2 | Goodwill | 128,395,129 | - | 48,394,838 | 80,000,291 | 95,646,152 | 50,073,048 | 57,251,350 | 57,251,350 | 22,748,941 | 32,748,977 |
| 3 | Software | 16,282,601 | - | 80,000 | 16,202,601 | 9,556,920 | 4,056,198 | 13,585,250 | 13,585,250 | 2,617,351 | 6,725,681 |
| | Total (b) | 155,208,142 | - | 48,474,838 | 106,733,304 | 107,221,399 | 17,050,742 | 74,171,225 | 74,171,225 | 32,562,079 | 47,986,743 |
| | GRAND TOTAL (a+b) | 1,410,649,494 | 6,785,812 | 565,525,996 | 851,909,310 | 537,806,587 | 308,646,493 | 333,040,366 | 333,040,366 | 518,868,944 | 872,842,907 |
| 15 | Capital Work In Progress (c) | | | | | | | | | | |
| | Total (a+b+c) | 1,410,649,494 | 6,785,812 | 565,525,996 | 851,909,310 | 537,806,587 | 308,646,493 | 333,040,366 | 333,040,366 | 524,198,774 | 872,842,907 |



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VIVIMED LABS (ALATHUR) PRIVATE LIMITED
Notes to financial statements for the year ended March 31, 2014
 (All amounts in Indian Rupees, except share data and unless otherwise stated)

16 Long-term loans and advances

| | Non-current portion | | Current portion* | |
|--|----------------------------|-------------------------|-------------------------|----------------------------|
| | As at December 31, 2012 | As at March 31, 2014 | As at March 31, 2014 | As at December 31, 2012 |
| Unsecured and considered good | | | | |
| To parties other than related parties | | | | |
| Capital advances | - | - | 7,647,655 | - |
| Security deposits | 35,000 | 163,500 | - | - |
| Electricity and other deposits | 2,537,662 | 3,818,546 | - | - |
| Other loans and advances | | | | |
| Statutory claims receivable | - | 10,213,048 | 23,245 | 56,589,748 |
| Duty drawback receivable | - | - | 1,100,753 | 3,390,788 |
| Cenvat credit receivable | 7,799,786 | - | 2,950,641 | 927,704 |
| VAT credit receivable | - | - | 19,948,398 | 5,957,028 |
| Service tax credit receivable | 3,659,513 | - | 3,688,552 | 412,275 |
| | <u>14,031,961</u> | <u>14,195,094</u> | <u>35,359,244</u> | <u>67,277,543</u> |
| Unsecured and considered doubtful | | | | |
| Statutory claims receivable | 5,764,520 | 5,764,520 | - | - |
| Less: Provision for doubtful advances | -5,764,520 | -6,399,140 | - | - |
| | - | - | - | - |
| Capital advances | - | 634,620 | - | - |
| Less: Provision for doubtful advances | - | - | - | - |
| | - | - | - | - |
| | <u>14,031,961</u> | <u>14,195,094</u> | <u>35,359,244</u> | <u>67,277,543</u> |

17 Inventories

| | As at March 31, 2014 | As at December 31, 2012 |
|-------------------------------------|-------------------------|----------------------------|
| Raw materials | 60,565,723 | 82,862,253 |
| Work-in-progress | 10,908,800 | 84,536,765 |
| Finished goods | 9,901,155 | 3,635,911 |
| Stores, spares and packing material | 8,352,895 | 10,245,061 |
| | <u>89,728,573</u> | <u>181,279,990</u> |

18 Trade receivables

| | As at March 31, 2014 | As at December 31, 2012 |
|---|-------------------------|----------------------------|
| Unsecured and considered good | | |
| Outstanding for a period exceeding six months from the date they became due for payment | - | 25,635,394 |
| Others | 1,932,880 | 893,951,242 |
| | <u>1,932,880</u> | <u>919,586,636</u> |

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VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

19 Cash and bank balances

| | As at March 31, 2014 | As at December 31, 2012 |
|----------------------------------|--------------------------|----------------------------|
| Cash and cash equivalents | | |
| Cash on hand | 142,802 | 101,064 |
| Balances with banks | | |
| - on current accounts | 10,846,637 | 32,023,750 |
| | <u>10,989,439</u> | <u>32,124,814</u> |
| Other bank balances* | 41,701 | - |
| | <u><u>11,031,140</u></u> | <u><u>32,124,814</u></u> |

*represents deposits held under lien

20 Short-term loans and advances

| | As at March 31, 2014 | As at December 31, 2012 |
|---|---------------------------|----------------------------|
| To parties other than related parties | | |
| Unsecured and considered good | | |
| Current portion of long-term loans and advances | 35,359,244 | 67,277,543 |
| Other short term-loans and advances | | |
| To parties other than related parties | | |
| Capital Advances | | |
| Employee Advances | 237,129 | 81,000 |
| Advance for supply of goods | - | 2,382,955 |
| Prepaid Expenses | 1,604,228 | 3,240,895 |
| Others | 19,219,977 | 523,880 |
| | <u>56,420,578</u> | <u>73,506,273</u> |
| Unsecured and considered doubtful | | |
| Advance for supply of goods | - | 377,716 |
| Less: Provision for doubtful advances | - | -377,716 |
| | <u>-</u> | <u>-</u> |
| To related parties | | |
| Interest accrued on overdue trade receivables | | 24,143,516 |
| Advance recoverable in cash or in kind | 642,214,985 | 34,646,447 |
| | <u>642,214,985</u> | <u>58,789,963</u> |
| TOTAL | <u><u>698,635,563</u></u> | <u><u>132,296,236</u></u> |

21 Other current assets

| | As at March 31, 2014 | As at December 31, 2012 |
|--------------------------------------|-------------------------|----------------------------|
| Unsecured and considered good | | |
| SFIS Scrip on hand | - | 1,194,924 |
| Interest accrued on deposits | - | 242,771 |
| | <u>-</u> | <u>1,437,695</u> |

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VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

22 Revenue from operations

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|--|---------------------------------|---------------------------------|
| Sale of products | | |
| Export sales | 921,685,409 | 1,733,015,734 |
| Domestic sales (Scrap Sales) | - | - |
| Sale of products (gross) | <u>921,685,409</u> | <u>1,733,015,734</u> |
| Less: Excise duty | (21,946,367) | -71,504,966 |
| Sale of products (net) | <u>899,739,042</u> | <u>1,661,510,768</u> |
| Sales of services | | |
| Income from product development services | 45,098,263 | 117,950,330 |
| | <u>45,098,263</u> | <u>117,950,330</u> |
| Revenue from operations (net) | <u><u>944,837,305</u></u> | <u><u>1,779,461,098</u></u> |

Break-up of revenue from sale of products



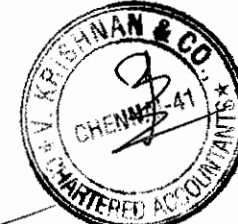
| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|---------------------------|---------------------------------|---------------------------------|
| Manufactured goods | | |
| Gabapentin | 518,358,742 | 649,130,596 |
| Losartan | 7,165,508 | 297,378,265 |
| Valacyclovir | 343,371,354 | 284,953,252 |
| Others | 30,843,439 | 430,048,655 |
| | <u>899,739,042</u> | <u>1,661,510,768</u> |

Break-up of revenue from services rendered

| | | |
|------------------------------|-------------------|--------------------|
| Product development services | 45,098,263 | 117,950,330 |
| | <u>45,098,263</u> | <u>117,950,330</u> |

23 Other income

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|---------------------------------------|---------------------------------|---------------------------------|
| Interest income on fixed deposits | - | 227,341 |
| Interest on overdue trade receivables | - | 24,143,516 |
| Export benefits | 8,903,061 | 7,792,645 |
| Scrap sales | 1,354,186 | 7,441,124 |
| Others | - | 2,150,931 |
| | <u>10,257,247</u> | <u>41,755,557</u> |

VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)


24 Cost of materials consumed

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|---|---------------------------------|---------------------------------|
| Raw materials and packing materials | | |
| Inventory of materials at the beginning of the year | 82,862,253 | 291,133,748 |
| Purchases | 597,234,969 | 892,627,084 |
| Inventory of materials at the end of the year | <u>60,565,723</u> | <u>82,862,253</u> |
| | <u>619,531,499</u> | <u>1,100,898,579</u> |
| Stores, spares and consumables | | |
| Inventory of materials at the beginning of the year | 10,245,061 | 24,669,390 |
| Purchases | 20,071,178 | 21,480,266 |
| Inventory of materials at the end of the year | <u>8,352,895</u> | <u>10,245,061</u> |
| | <u>21,963,344</u> | <u>35,904,595</u> |
| | <u>641,494,843</u> | <u>1,136,803,174</u> |
| i. Break-up of cost of materials consumed | | |
| Gabapentin USP | 118,430,514 | 306,011,067 |
| Valacyclovir hydrochloride | 158,377,885 | 180,046,375 |
| Losartan Pottassium | 24,800,553 | |
| Others | <u>339,885,891</u> | <u>650,745,732</u> |
| | <u>641,494,843</u> | <u>1,136,803,174</u> |
| ii. Break-up of inventory- materials | | |
| Gabapentin USP | 47,800,537 | 15,200,545 |
| Losartan Pottassium | 1,132,907 | 26,737,436 |
| Valacyclovir hydrochloride | 984,365 | 2,838,715 |
| Others | <u>10,647,915</u> | <u>38,085,557</u> |
| | <u>60,565,723</u> | <u>82,862,253</u> |

25 Changes in inventories of finished goods and work-in-progress

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|--|---------------------------------|---------------------------------|
| Opening stock | | |
| - Finished goods | 3,635,911 | 13,215,167 |
| - Work-in-progress | <u>84,536,765</u> | <u>98,676,711</u> |
| | <u>88,172,676</u> | <u>111,891,878</u> |
| Closing stock | | |
| - Finished goods | 9,901,155 | 3,635,911 |
| - Work-in-progress | <u>10,908,800</u> | <u>84,536,765</u> |
| | <u>20,809,955</u> | <u>88,172,676</u> |
| | <u>67,362,721</u> | <u>23,719,202</u> |
| i. Details of finished goods | | |
| Losartan tablets | 9,901,155 | 3,635,911 |
| Gabapentin | - | - |
| Lorezapam | - | - |
| Rivastigimine | - | - |
| | <u>9,901,155</u> | <u>3,635,911</u> |
| ii. Details of work-in-progress | | |
| Gabapentin capsules | | 15,467,480 |
| Losartan tablets | 3,691,800 | 14,773,348 |
| Valacyclovir tablets | 7,217,000 | 5,595,272 |
| Lorazepam | | <u>2,933,851</u> |
| | <u>10,908,800</u> | <u>84,536,765</u> |





VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014




(All amounts in Indian Rupees, except share data and unless otherwise stated)

| 26 Employee benefits | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|---|---------------------------------|---------------------------------|
| Salaries, wages and bonus | 154,234,441 | 167,020,827 |
| Contribution to provident and other funds | 6,502,266 | 8,996,360 |
| Staff welfare expenses | 4,486,677 | 17,404,740 |
| | <u>165,223,384</u> | <u>193,421,927</u> |
| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
| 27 Finanee costs | | |
| Interest Expenses | 13,870,245 | 36,713,156 |
| Finanee charges | 3,078,613 | 2,554,786 |
| | <u>16,948,858</u> | <u>39,267,942</u> |
| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
| 28 Depreciation and amortisation | | |
| Depreciation of tangible fixed assets | 86,829,530 | 100,708,440 |
| Amortisation of intangible fixed assets | 17,050,742 | 21,197,494 |
| | <u>103,880,272</u> | <u>121,905,934</u> |
| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
| 29 Other expenses | | |
| Rates and Taxes | 6,568,997 | 2,791,679 |
| Power and fuel | 61,579,202 | 89,790,461 |
| Repairs & Maintenance | | |
| - Building | 1,537,489 | 3,778,301 |
| - Plant and Machinery | 15,529,921 | 18,975,236 |
| - Others | 4,217,426 | 14,232,884 |
| Insurance | 2,311,544 | 5,308,921 |
| Professional Consultancy charge | 24,742,073 | 13,046,635 |
| Travelling & Conveyance | 8,046,862 | 8,675,279 |
| Communication Expenses | 4,022,303 | 1,955,284 |
| Capital Work in Progress Write off | - | 85,176,802 |
| Fixed asset / Stock Written off | 4,547,586 | 27,104,065 |
| Loss on sale of fixed asset | - | 2,938,028 |
| Provision for Doubtful Advances | - | 1,012,336 |
| Bad debts Written off | - | 1,333,138 |
| Miscellaneous Expenses | 11,322,743 | 17,011,950 |
| | <u>144,426,145</u> | <u>293,130,999</u> |

Note:

Payment to auditors included in professional and consultancy charges (Excluding Servie tax)

| | For the period Jan 13-Mar 14 | For the period Jan 12-Dec 12 |
|----------------------------------|---------------------------------|---------------------------------|
| Statutory Audit | 237,500 | 700,000 |
| Tax Audit | 160,000 | 400,000 |
| Certification and other Services | 81,000 | 550,000 |
| Reimbursement of Expenses | 21,000 | 38,440 |
| | <u>499,500</u> | <u>1,688,440</u> |
| 30 Foreign Exchange Gain /Loss | <u>(69,394,357)</u> | <u>-</u> |
| | <u>(69,394,357)</u> | <u>-</u> |

VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

31 Contingent liabilities and commitments (to the extent not provided for)

| Particulars | As at | As at |
|--|-----------------|-------------------|
| | March 31, 2014 | December 31, 2012 |
| | [for 15 Months] | [for 12 Months] |
| (i) Contingent liabilities | | |
| (a) Claims against the Company not acknowledged as debts | | |
| Excise related matters | 7,799,786 | 9,884,045 |
| Sales tax related matters | | 36,272,124 |
| Service Tax Related Matter | 3,659,513 | |
| Labour Law related matters | | 2,132,424 |
| (b) Guarantees outstanding | - | - |
| (ii) Commitments | | |
| Estimated amount of contracts remaining to be executed on capital account (net of capital advances) and not provided for | - | - |

In respect of capital goods imported at zero or concessional rate of duty under the Export Promotion Capital Goods (EPCG) Scheme, as at the balance sheet date, the Company has outstanding export obligation is NIL (As at December 31, 2012- Rs. 6,854,312). In respect of raw materials imported at zero or concessional rate of duty under the Advance license scheme, as at the balance sheet date, the Company has outstanding export obligation of Rs.2, 26,53,086/- (As at December 31, 2012 - Rs. 4,81,065,554). The Company is confident of meeting its revenue commitments / obtaining extensions, if necessary.

The Company carries out a process of establishing the manufacturing processes involving the production of trial batches, optimization batches and exhibit batches (known as 'transfers') so as to obtain approvals from regulatory authorities, before a product can be commercially manufactured at the plant. For carrying out such process, the Company procures excisable goods from domestic/international suppliers. Since the company invoices the Group for carrying out these transfer activities, the same is treated as a service provided to the group and hence the Company avails input credit of such duty paid which is recorded as recoverable from excise authorities. The excise department has not disputed the availment of input credit by the company. The Company has also obtained a legal opinion in this regard.



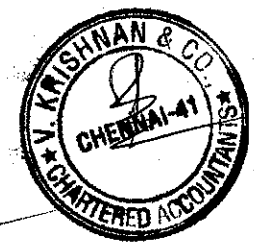
32 Outstanding lease obligations

Finance lease obligations

| Particulars | As at | As at |
|---|----------------|-------------------|
| | March 31, 2014 | December 31, 2012 |
| Future minimum lease payments | | |
| Not later than one year | - | 489,068 |
| Later than one year and not later than five years | - | 525,094 |
| Total | - | 1,014,162 |
| Less: Amounts representing future interest | - | 137,651 |
| Present value of minimum lease payments | - | 876,511 |
| Less: Amounts due not later than one year | - | 408,521 |
| Amounts due later than one year and not later than five years | - | 467,990 |

33 C.I.F value of imports (on accrual basis)

| Particulars | For the year ended | As at |
|------------------|--------------------|--------------------|
| | March 31, 2014 | December 31, 2012 |
| Raw material | 173,070,476 | 340,081,661 |
| Packing material | - | 16,805,664 |
| Capital goods | - | 7,510,073 |
| Total | 173,070,476 | 364,397,398 |

VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

34 Earnings in foreign currency (on accrual basis)

| Particulars | For the year ended March 31, 2014 | As at December 31, 2012 |
|--|--------------------------------------|----------------------------|
| FOB value of exports | 899,739,042 | 1,732,817,974 |
| Income from product development activities | 45,098,263 | 117,950,330 |
| Recovery of expenses | - | 114,464,384 |
| Total | 944,837,305 | 1,965,232,688 |

35 Details of consumption of indigenous and imported raw materials, packing materials and stores, spares and consumables

| Particulars | For the year ended March 31, 2014 | | For the year ended December 31, 2012 | |
|--|-----------------------------------|---------------------------|--------------------------------------|---------------------------|
| | Value | % of total consumption | Value | % of total consumption |
| Raw materials and packing materials | | | | |
| Imported | 173070476 | 100% | 372,898,550 | 34% |
| Indigenous | - | - | 728,000,029 | 66% |
| | 173,070,476 | 100% | 1,100,898,579 | 100% |
| Stores, spares and consumables | | | | |
| Imported | - | - | - | - |
| Indigenous | 20,071,178 | 100% | 35,904,595 | 100% |
| | 20,071,178 | 100% | 35,904,595 | 100% |
| Total | 193,141,654 | | 1,136,803,174 | |

36 Derivate instruments

The Company has not entered into any foreign currency forward contract to hedge its risk associated with foreign currency fluctuations. The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are as under:

| Description | Amount receivable in foreign currency | | Amount payable in foreign currency | |
|-----------------------|---------------------------------------|------------------------|------------------------------------|------------------------|
| | As at March 31, 2014 | As at Dec' 31, 2012 | As at March 31, 2014 | As at Dec' 31, 2012 |
| EUR equivalent | 4051106 | 7,576,484 | - | 280 |
| USD equivalent | 11321474 | 6,305,478 | - | 3,138,220 |
| GBP equivalent | - | - | - | - |
| CHF equivalent | - | - | - | - |
| INR equivalent | 966,783,672 | 386,759,312 | 170,801,408 | 289,256,600 |

37 Related party transactions

a) Names of related parties and nature of relationship are as follows:

| Nature of relationship | Name of the related party |
|------------------------|---|
| Holding Company | Vivimed Labs Limited Hyderabad |
| Fellow subsidiaries | Finoso India Pvt. Ltd UQUIFA Klar Sehan B B R PROJECTS PVT LTD CREATIVE HEALTH CARE PVT LTD Octantis Nobel Labs Private Ltd. |



VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

b) Details of related party transactions

Transactions during the year

| Nature of transaction | For the year ended March 31, 2014 |
|--|--------------------------------------|
| Issue of shares (including share premium) Vivimed Labs Limited | 501,700,000 |
| Short Term Loan: Vivimed Labs Ltd & Group companies | 623,538,384 |

Balance as at the year-end date:

| Nature of balances | As at March 31, 2014 | As at December 31, 2012 |
|---|-------------------------|----------------------------|
| Balances receivable | | |
| Actavis Group PTC ehf | | 587,572,081 |
| Actavis Elizabeth LLC | | 341,992,444 |
| Medis ehf | | 24,668,558 |
| Vivimed Labs Ltd. | 642,214,985 | |
| Finoso Pharma Private Ltd | 5,566,903 | |
| Octtantis Nobel Labs Private Ltd. | 860,000 | |
| Balances payable | | |
| Actavis Elizabeth LLC | - | 3,421,239 |
| Lotus Laboratory Pvt. Ltd. (including interest and after deducting tax deducted source) | | 414,443,151 |
| B B R PROJECTS PVT LTD | 1,600,000 | |
| CREATIVE HEALTH CARE PVT LTD | 6,000,000 | |
| VIVIMED LABS USA INC | 156,939,529 | |
| KLAR SEHEN PVT LTD | 2,900,000 | |

38 Segment reporting

The Company's operations predominantly relate to manufacture and sale of formulation. Accordingly, business segment comprise the primary basis of segmental information set out in these financial statements. Secondary segment reporting is performed on the basis of the geographical location of customers.

Disclosure under Geographical segment




The Company operates mainly in two geographical areas, Domestic and Export. Management has reviewed these geographical areas vis-à-vis the risks and returns that encompass them. While arriving at this, management has reviewed the similarity of the economic and political conditions, relationships between operations in these geographical areas, proximity of operations, and special risks if any associated with operations in these areas.

For the year ended March 31, 2014 [15 Months]

| | Domestic | Exports | Total |
|---|-----------|-------------|-------------|
| Sales- External Revenue | 1,354,186 | 944,837,305 | 946,191,491 |
| Carrying amount of segment assets by location of assets | - | - | - |
| Cost to acquire tangible and intangible assets by location of customers | - | - | - |

For the year ended December 31, 2012 [for 12 Months]

| | Domestic | Exports | Total |
|---|---------------|---------------|---------------|
| Sales- External Revenue | - | 1,850,966,064 | 1,850,966,064 |
| Carrying amount of segment assets by location of assets | 1,175,420,992 | 978,376,599 | 2,153,797,591 |
| Cost to acquire tangible and intangible assets by location of customers | 67,055,961 | - | 67,055,961 |

VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

39 Employee benefits

Disclosure relating to gratuity

The following table sets out the status of the gratuity plan as required under AS 15 (Revised 2005). Reconciliation of opening and closing balances of the present value of the defined benefit obligation.

| Particulars | For the year ended #REF! | For the year ended December 31, 2012 |
|---|-----------------------------|---|
| a. Classification into current / non-current | | |
| Classified as long-term provision | 5,855,529 | 2,862,965 |
| Classified as short-term provision | 1,448,631 | 1,184,867 |
| b. Assumptions at balance sheet date | | |
| Discount rate | 8.70% | 8.00% |
| Long term rate of compensation increase | 10.00% | 10.00% |
| Estimated rate of return on plan assets | 9% | 9% |
| Attrition rate | 25.00% | 25.00% |

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards.

Note:

- (i) Plan assets comprise of contribution to Group Gratuity Scheme of Life Insurance Corporation of India.
- (ii) The gratuity expenses have been recognised in 'Contribution to provident and other funds' under note 23.

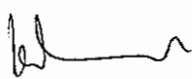


40 Due to micro and small suppliers

The management has identified enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006. Accordingly, the disclosure in respect of the amount payable to such enterprises as at March 31, 2013 has been made in the financial statements based on information received and available with the Company, to the extent identified by the management and relied upon by the auditors. The details of overdue amount and interest payable are set out below:

| Description | As at March 31, 2013 | As at December 31, 2012 |
|--|-------------------------|----------------------------|
| i) The amounts remaining unpaid to micro and small suppliers as at the end of the year: | | |
| - Principal | - | 255,954 |
| - Interest | - | 4,497 |
| ii) Amount of interest paid in terms of Section 16 of the Micro, Small and Medium Enterprises Act, 2006 and amounts of payment made to the suppliers beyond the appointed day during the year. | - | - |
| iii) Amount of interest due and payable for the period of delay in making payment but without adding the interest specified under this Act. | - | - |
| iv) Amount of interest accrued and remaining unpaid at the end of the year. | - | - |

41 Research and development expenditure

| Particulars | For the year ended March 31, 2014 | For the year ended December 31, 2012 |
|--|--------------------------------------|---|
| Material, stores, spares and consumables cost | - | 68,566,356 |
| Employee cost | - | 1,107,238 |
| Manufacturing, administrative and other expenses | - | 33,008,481 |
| Total | - | 102,682,075 |

VIVIMED LABS (ALATHUR) PRIVATE LIMITED

Notes to financial statements for the year ended March 31, 2014

(All amounts in Indian Rupees, except share data and unless otherwise stated)

42 Subsequent events

The company planned to enhance this unit manufacturing capacity from existing 1bn. capacity to 2bn. capacity by investing in infrastructure and Plant & Machinery.

43 Transfer pricing

The Company has maintained documents as prescribed by the Act to prove that these transactions are at arm's length and the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

44 General

Previous Year's figures have been regrouped/ reclassified wherever necessary for confirm with the current year's presentations.

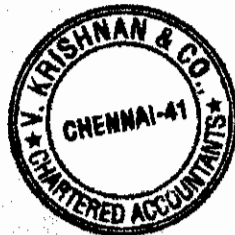
for **V Krishnan & Co.**
Chartered Accountants
Firm registration no : 001541S

for Vivimed Labs (Alathur) Pvt. Ltd.

J. Sivakumar

J Sivakumar
Partner
Membership No. 217774

Place: Chennai
Date: 13th August 2014



Santosh Varalwar

Santosh Varalwar
Director

Place: Chennai
Date: 13th August 2014

Dr. KR. Kumar

Dr. KR. Kumar
Director