

**WOCKHARDT HOLDING CORP.**

Consolidated Balance Sheet as at March 31, 2018  
(All amounts in United States Dollars)

	Notes	As at 31.3.2018	As at 31.3.2017
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	4	1,100	1,100
Reserves and Surplus	5	69,683,287	68,050,896
<b>SECURED LOANS</b>	6	-	65,782
<b>UNSECURED LOANS</b>	6	-	-
		<b>69,684,387</b>	<b>68,117,778</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	7	62,761,756	61,657,370
Less : Accumulated Depreciation		(29,389,256)	(27,647,340)
Net Block		33,372,498	34,010,030
Capital Work in Progress, including capital advances		21,709,808	21,243,910
		55,082,306	55,253,940
<b>DEFERRED TAX ASSET</b>	8	8,052,522	11,040,416
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	9	21,292,340	35,660,370
Sundry Debtors	10	103,243,579	91,093,478
Cash and Bank balances	11	4,514,854	2,440,899
Loans and Advances	12	4,151,524	5,059,335
	[A]	133,202,297	134,254,082
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	13	125,441,960	132,430,660
Provisions		1,210,778	-
	[B]	126,652,738	132,430,660
<b>NET CURRENT ASSETS</b>	[A] - [B]	6,549,558	1,823,422
<b>Total</b>		<b>69,684,387</b>	<b>68,117,778</b>

3 Significant Accounting Policies

The Notes 1 to 26 form an integral part of the Balance Sheet

As per our attached report of even date

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W/W/100048

*Haribhakti & Co. LLP*

Partner

Bhavik L. Shah

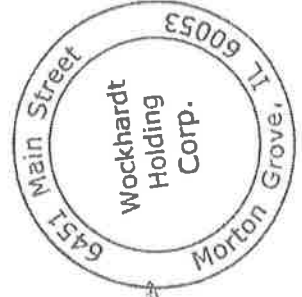
Membership No. 122071

Place: Mumbai

Date: April 20, 2018

For and on behalf of Board of Directors

Director



*B. S. Patel*



**WOCKHARDT HOLDING CORP.**

**Consolidated Statement of Profit and Loss for the year ended March 31, 2018**  
(All amounts in United States Dollars)

	Notes	For the year ended 31.3.2018	For the year ended 31.3.2017
<b>INCOME</b>			
Sales		169,972,951	170,019,474
Service Income - Research & Development		4,837,146	5,096,177
Other income	14	164,045	158,910
		<b>174,974,142</b>	<b>175,274,561</b>
<b>EXPENDITURE</b>			
Materials consumed and purchase of goods (Increase) / decrease in Finished goods and Work-in-progress	15	108,515,414	119,590,634
Operating and other expenses	16	9,143,921	(4,202,409)
Depreciation / Amortisation	17	48,634,557	50,908,726
Financial Expenses	7	1,741,916	1,886,935
	18	1,133	25,163
		<b>168,036,942</b>	<b>168,209,049</b>
		<b>6,937,200</b>	<b>7,065,512</b>
<b>NET PROFIT BEFORE TAX</b>			
Provision for tax			
- Current		2,006,124	174,206
- Deferred tax charge/(credit)		2,987,894	1,841,205
-Tax for earlier years		310,788	(551,058)
		<b>1,632,394</b>	<b>5,601,159</b>
<b>NET PROFIT AFTER TAX FOR THE YEAR</b>			
Balance brought forward from prior year		42,048,496	36,447,337
		<b>43,680,890</b>	<b>42,048,496</b>

3

Significant Accounting Policies  
The Notes 1 to 26 form an integral part of the Statement of Profit and Loss

As per our attached report of even date

For Haribhakti & Co. LLP

Chartered Accountants

ICAI Firm Registration No. 103523W/V/100048

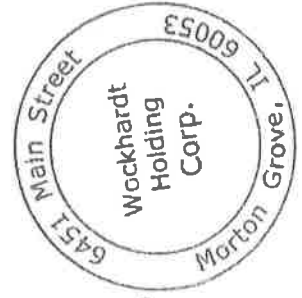
Bhavik L. Shah

Partner

Membership No.122071

Place: Mumbai

Date: April 20, 2018



For and on behalf of Board of Direct

*[Signature]*  
Director



## Wockhardt Holding Corp. (IGAAP)

### Notes to the Consolidated financial statements for the year ended March 31, 2018

	AS AT 31.3.2018 USD Total	AS AT 31.3.2017 USD Total
<b>4 SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
3,000 (Previous year - 3,000) shares of common stock of par value USD 1 per share.	3,000	3,000
<b>ISSUED,SUBSCRIBED AND PAID UP</b>		
1,100 (Previous year - 1,100) shares of common stock of par value USD 1 per share.	1,100	1,100
	<u>1,100</u>	<u>1,100</u>
All the above shares are held by Wockhardt Bio AG, the holding company. Wockhardt Bio AG is a subsidiary of Wockhardt Limited, India.		
<b>5 RESERVES AND SURPLUS</b>		
<b>Securities premium</b>		
Balance as per last account	26,002,400	26,002,400
Additions during the year	-	-
	<u>26,002,400</u>	<u>26,002,400</u>
<b>Profit and loss account</b>		
Balance as per last account	42,048,496	36,447,337
Additions during the year	1,632,394	5,601,159
	<u>43,680,890</u>	<u>42,048,496</u>
	<u>69,683,290</u>	<u>68,050,896</u>
<b>6 SECURED/UNSECURED LOANS</b>		
Equipment Loan	-	65,782
Loan from Wockhardt Limited	-	-
	<u>-</u>	<u>65,782</u>



Wockhardt Holding Corp.

Notes to the Consolidated financial statements  
for the year ended March 31, 2018

	AS AT 31.3.2018 USD Total	AS AT 31.3.2017 USD Total
<b>8 DEFERRED TAX ASSET</b>		
<b><u>Deferred Tax Liabilities</u></b>		
Difference between depreciation on block of assets	1,241,865	1,577,027
<b>Total (A)</b>	<b>1,241,865</b>	<b>1,577,027</b>
<b><u>Deferred Tax Assets</u></b>		
Carry over losses	1,857,238	1,701,090
Deferred expenses	7,437,149	10,916,353
<b>Total (B)</b>	<b>9,294,387</b>	<b>12,617,443</b>
<b><u>Net Deferred Tax Assets</u></b>	<b>8,052,522</b>	<b>11,040,416</b>
<b>9 INVENTORIES</b>		
Raw materials	7,379,409	9,732,148
Packing materials	2,315,452	5,186,822
Finished goods	11,474,908	20,578,580
Work-in-progress	122,572	162,820
	<b>21,292,340</b>	<b>35,660,370</b>
<b>10 SUNDRY DEBTORS, Net of Allowances</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, Considered good	-	-
Unsecured, Considered doubtful	7,102,476	7,102,476
Less : Provision for doubtful debts	7,102,476	7,102,476
Sundry Debtors, net of provisions	-	-
<b>Other Debts</b>		
Unsecured, Considered good		
Intercompany Receivables	45,229,451	35,970,318
Others	58,014,128	55,123,160
	<b>103,243,579</b>	<b>91,093,478</b>



**Wockhardt Holding Corp.**

**Notes to the Consolidated financial statements  
for the year ended March 31, 2018**

	AS AT 31.3.2018 USD Total	AS AT 31.3.2017 USD Total
<b>11 CASH AND BANK BALANCES</b>		
Cash on hand	500	500
Balances with Scheduled banks - on Current account	-	-
	<u>4,514,354</u>	<u>2,440,399</u>
	<b>4,514,854</b>	<b>2,440,899</b>
<b>12 LOANS AND ADVANCES (Unsecured , considered good)</b>		
Loan to Wockpharma Ireland	3,250,000	3,544,213
Advances recoverable in cash or in kind or for value to be received	228,987	154,356
Security Deposit	340,502	340,331
Advance tax ( net of provision for tax)	-	632,461
Prepaid expenses	332,034	387,973
	<u>4,151,524</u>	<u>5,059,335</u>
	<b>4,151,524</b>	<b>5,059,335</b>
<b>13 CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
Sundry Creditors	5,760,380	9,623,965
Intercompany payables	108,884,550	110,010,366
Other liabilities	10,797,029	12,796,329
	<u>125,441,958</u>	<u>132,430,660</u>
	<b>125,441,958</b>	<b>132,430,660</b>
<b>PROVISIONS</b>		
Provision for tax, net of advance tax paid	1,210,778	-
Other provisions	-	-
	<u>1,210,778</u>	<u>-</u>
	<b>1,210,778</b>	<b>-</b>



**Wockhardt Holding Corp.**

**Notes to the Consolidated financial statements  
for the year ended March 31, 2018**

	For the year ended 31.3.2018 USD Total	For the year ended 31.3.2017 USD Total
<b>14 OTHER INCOME</b>		
Profit/(Loss) on sale of assets (Net)	-	-
Royalty income	-	-
Interest income on loan	163,639	158,910
Interest income on deposits	-	-
Provision no longer required written back	-	-
Lease Rental income	-	-
Miscellaneous income	406	0
	<b>164,045</b>	<b>158,910</b>
<b>15 MATERIALS CONSUMED AND PURCHASE OF GOODS</b>		
Opening Stock of materials		
Raw material	9,732,148	9,145,795
Packing material	5,186,822	4,046,912
	<b>14,918,970</b>	<b>13,192,707</b>
Add : Purchase of Raw and Packing materials	22,518,149	30,411,793
	<b>37,437,118</b>	<b>43,604,500</b>
Less : Closing stock		
Raw material	7,379,409	9,732,148
Packing material	2,315,452	5,186,822
<b>Materials Consumed</b>	<b>27,742,257</b>	<b>28,685,530</b>
<b>Purchase of Traded Goods</b>	<b>80,773,157</b>	<b>90,905,103</b>
<b>Total</b>	<b>108,515,414</b>	<b>119,590,634</b>
<b>16 (INCREASE) / DECREASE IN INVENTORIES</b>		
Inventories as at March 31, 2017		
Finished goods	20,578,580	16,326,315
Work-in-progress	162,820	212,677
	<b>20,741,401</b>	<b>16,538,992</b>
Inventories as at March 31, 2018		
Finished goods	11,474,908	20,578,580
Work-in-progress	122,572	162,820
	<b>11,597,480</b>	<b>20,741,401</b>
	<b>9,143,921</b>	<b>(4,202,409)</b>



**Wockhardt Holding Corp.**

**Notes to the Consolidated financial statements  
for the year ended March 31, 2018**

	For the year ended 31.3.2018 USD Total	For the year ended 31.3.2017 USD Total
<b>17 OPERATING AND OTHER EXPENSES</b>		
Salaries, wages and bonus , staff pension	21,027,567	20,684,855
Company's contribution to funds	4,033,565	4,040,475
Staff Training	41,515	15,736
Manufacturing Expenses	2,968,052	2,842,545
Licences fees	89,045	199,190
Rent, Rates and taxes	1,117,179	1,130,070
Machinery Repairs	612,381	673,518
Building Repairs	313,270	267,301
Repairs other	731,241	774,092
Advertising & Promotions	256,597	1,021,098
Travelling expenses	1,036,067	897,713
Freight and forwarding	3,468,860	3,546,315
Management Charges	53,910	35,200
Bad Debt Expense	-	-
Printing Postage & Stationary	130,368	49,730
Telephone & Telex	281,791	281,887
Insurance	875,977	1,022,093
Consultancy Charges	7,371,605	9,124,885
General expenses	4,103,066	4,120,641
Selling and Distribution expense	68,849	131,025
Vehicle Expenses	53,651	50,356
	<b>48,634,557</b>	<b>50,908,726</b>
<b>18 FINANCIAL EXPENSES</b>		
Interest on loan	1,133	25,163
	<b>1,133</b>	<b>25,163</b>



**Wockhardt Holding Corp.**

**Notes to the Consolidated financial statements  
for the year ended March 31, 2018**

<b>For the year ended 31.3.2018 USD Total</b>	<b>For the year ended 31.3.2017 USD Total</b>
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**19 EXPENDITURE ON RESEARCH AND DEVELOPMENT**

Capital	117,468	79,956
Revenue	4,478,952	4,718,621
	<b>4,596,420</b>	<b>4,798,577</b>

**20 LEASE OBLIGATIONS**

**Annual commitments under non-cancellable operating leases are**

Less than 1 year	284,881	274,885
More than 1 year but less than 5 years	493,794	778,676
More than 5 years		
	<b>778,675</b>	<b>1,053,561</b>

**Annual commitments for property given under non-cancellable operating leases are**

Less than 1 year	-	-
More than 1 year but less than 5 years	-	-
More than 5 years	-	-
	-	-

**21 SEGMENT INFORMATION**

**a. Information about Primary Segments**

The Group is primarily engaged in pharmaceutical business which is considered as the only reportable business segment as per Indian Accounting Standard (IndAS) – 108 'Operating Segments'.

**b. Information about Secondary Segments**

The sales of the Group are confined only to US markets and accordingly, there is no separate

**22** Estimated amount of contracts remaining to be executed on capital account and not provided at March 2018 is USD 2,228,400 (Previous Year - USD 756,136)

**23** The Group is involved in other disputes, lawsuits, claims, inquiries and proceedings, including commercial matters that arise from time to time in the ordinary course of business. The group believes that these are not substantial pending matters that are expected to have any material adverse effect on its financial statements in any given accounting period.





**Wockhardt Holding Corp.**

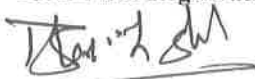
**Notes to the Consolidated financial statements  
for the year ended March 31, 2018**

- 24 Status of USFDA import alert on facilities of Wockhardt Limited  
WL India's on-going efforts towards remediation and compliance measures continues to be in place with appointment of world class consultants.
- 25 The format and content of these financial statements is as designed by the Management and has been prepared solely for the purpose of consolidation into financial statements of Wockhardt Limited, the ultimate holding company and accordingly, contains only limited disclosures.
- 26 Previous years figures have been regrouped/rearranged wherever necessary to conform to current year's presentation.

**For Haribhakti & Co. LLP**

**Chartered Accountants**

**ICAI Firm Registration No. 103523W/W100048**



**Bhavik L. Shah  
Partner**

**Membership No. 122071**



Place: Mumbai

Date: April 20, 2018



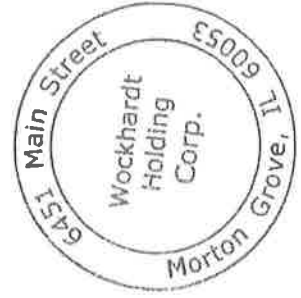
**WOCKHARDT HOLDING CORP.**

Notes to Account

Note 7 : Fixed Asset

Amounts in USD

Particulars	Gross Block			Depreciation			Net Block		
	As At 3.31.2017	Additions	Deductions & Transfers	Ending Balance 3.31.18	As At 3.31.2017	Additions	Deductions / Adjustments & transfers	Ending Balance 3.31.18	As At 3.31.2017
<b>Intangibles</b>									
Goodwill on Consolidation	10,656,941	-	-	10,656,941	-	-	-	10,656,941	10,656,941
Software	7,367,934	1,104,386	-	8,472,320	(6,300,050)	(239,928)	-	1,932,341	1,067,883
<b>Intangible Assets (A)</b>	<b>18,024,875</b>	<b>1,104,386</b>	<b>-</b>	<b>19,129,261</b>	<b>(6,300,050)</b>	<b>(239,928)</b>	<b>-</b>	<b>12,589,281</b>	<b>11,724,824</b>
<b>Tangibles</b>									
Freehold land	7,573,384	-	-	7,573,384	-	-	-	7,573,384	7,573,384
Buildings	12,552,537	-	-	12,552,537	(4,363,427)	(392,123)	-	7,796,987	8,189,110
Plant and Machinery	20,698,308	-	-	20,698,308	(14,332,770)	(855,226)	-	5,510,312	6,365,538
Furniture and Fixtures	1,512,844	-	-	1,512,844	(1,300,595)	(53,339)	-	78,906	132,245
Office Equipments	843,446	-	-	843,446	(843,375)	-	-	71	71
IT Equipments	431,637	-	-	431,637	(406,781)	(201,302)	-	(176,446)	24,856
Vehicles	20,338	-	-	20,338	(20,338)	-	-	(20,338)	(0)
<b>Tangible Assets (B)</b>	<b>43,632,895</b>	<b>-</b>	<b>-</b>	<b>43,632,895</b>	<b>(21,347,290)</b>	<b>(1,501,989)</b>	<b>-</b>	<b>(22,849,278)</b>	<b>22,285,206</b>
<b>Total (A+B)</b>	<b>61,657,370</b>	<b>1,104,386</b>	<b>-</b>	<b>62,761,755</b>	<b>(27,647,340)</b>	<b>(1,741,917)</b>	<b>-</b>	<b>(29,389,256)</b>	<b>34,010,030</b>
Capital Work in Progress	21,243,910	3,192,549	(2,726,651)	21,709,808	-	-	-	21,709,808	21,243,910
<b>Total</b>	<b>82,901,279</b>	<b>4,296,936</b>	<b>(2,726,651)</b>	<b>84,471,564</b>	<b>(27,647,340)</b>	<b>(1,741,917)</b>	<b>-</b>	<b>55,082,306</b>	<b>55,253,940</b>



**Wockhardt Holding Corp**  
**Notes to Consolidated Accounts**  
**For The Year Ended March 31, 2018.**

**1) Background**

Wockhardt Holding Corp. (“the Company”) was incorporated on 17<sup>th</sup> October, 2007. The Company is a wholly owned subsidiary of Wockhardt Bio AG (formerly known as Wockhardt EU Operations (Swiss) AG).

The Company is the holding Company of Morton Grove Pharmaceuticals Inc., which is engaged in the manufacture of pharmaceutical products on behalf of Wockhardt Bio AG and MGP Inc. which conducts Research and Development activity for Wockhardt Bio AG.

Wockhardt USA LLC is the wholly owned subsidiary of Morton Grove Pharmaceuticals Inc. Wockhardt USA LLC was incorporated on 26<sup>th</sup> February, 2004. On 3<sup>rd</sup> October, 2008, the status of the Company has changed from Corporation to Limited Liability Company pursuant to section 266 of the General Corporation Law of the state of Delaware, as amended, and section 18-214 of the Delaware Limited Liability Company Act. The Company is primarily engaged in the business of marketing and distribution of pharmaceutical products in the U.S. markets.

Accordingly, the Company together with its subsidiaries Morton Grove Pharmaccuticals Inc., MGP Inc and Wockhardt USA LLC constitute the Group for the purpose of consolidation.

**2) Basis of Consolidation**

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Wockhardt Holding Corp and its subsidiaries using uniform accounting policies for like transactions and other events in similar circumstances. All material inter-company balances and transactions are eliminated on consolidation.

**3) Summary of Group’s significant accounting policies:**

The consolidated financial statements are prepared in accordance with Group Accounting Policies based on Ind AS and generally accepted accounting principles in India (“GAAP”) to the extent considered necessary for the purpose of preparation of consolidated financial statements of Wockhardt Limited, India. The financial statements comply with recognition and measurement principles of IndAS. However, the format and content of these financial statements is as designed by management and has been prepared solely for the purpose of consolidation into financial statements of Wockhardt



Bio and Wockhardt Limited, the ultimate holding company and accordingly, contains only limited disclosures.

The significant accounting policies of the Group are as follows:

**a) Revenue Recognition**

Revenue is recognized at the time product is shipped by the Company, which is when title passes. Allowances for discounts, chargebacks, and rebates are recognized in the same period as the related sales. A significant portion of product is distributed by independent pharmaceutical wholesalers; when a sale is initially recorded to a wholesaler, the sale and resulting receivable are recorded at list price. However, experience indicates that most of these selling prices will eventually be reduced to a lower, end-user contract price.

Therefore, at the time of the sale, a contra asset is recorded for, and revenue is reduced by, the difference between the list price and the estimated average end-user contract price. When the wholesaler ultimately sells the product, the wholesaler charges the Company (chargeback) for the difference between the list price and the end-user contract price, and such chargeback is offset against the initial estimated contra asset.

Additionally, the Company also issues rebates to its customers based on the amount of purchases a customer has made or the amount of product that has been sold by its customer. Estimated rebates are accrued as a contra asset and reduce revenues at the time of the initial sale, and are generally paid on a monthly basis. Accounts receivable are presented net of such allowances. The Company also issues rebates to various states after the Company's products are sold to Medicaid patients. These rebates are classified in accrued liabilities.

To control credit exposure, the Company routinely monitors the creditworthiness of its customers, reviews outstanding customer balances on a regular basis, and records allowances for bad debts as necessary. Additionally, the Company evaluates the collectibility of its accounts receivable based on the length of time the receivable is past due and the anticipated future uncollectible amounts based on historical experience. Accounts receivable are charged off against the allowance account when they are deemed uncollectible. The Company does not require customers to maintain collateral.

**b) Inventories**

Inventories are valued at cost or net realizable value, whichever is lower. Cost is determined on moving average basis. Cost also includes all charges incurred for bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.



### c) Fixed Assets and Depreciation / Amortisation

#### *Tangible Assets:*

Fixed assets are stated at cost, less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets.

#### *Depreciation / Amortisation:*

Depreciation is determined on the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	20 to 33 years
Machinery and equipment	4 to 23 years
Office equipment and furniture	4 to 20 years
Vehicle	5 to 7 years
IT Equipments	3 to 10 years

#### *Intangible Assets:*

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any.

The cost relating to intangible assets which are acquired, are capitalized and amortised on a straight line basis upto the period of ten years, which is based on their estimated useful life.

Goodwill is on account of acquisition of Morton Grove Pharmaceuticals Inc and it's subsidiaries. Goodwill is tested for impairment at each balance sheet date.

### d) Research and Development (R&D)

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future sales from the related project, not exceeding ten years.

The carrying value of development costs is reviewed for impairment when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.



#### **e) Operating Lease**

Operating lease payments are recognized as an expense in the Statement of Profit and Loss over the lease term.

#### **f) Employee Benefits**

The Company has a defined contributions savings and retirement 401(k) plan, which covers substantially all employees. The 401(k) retirement savings plan gives employees the opportunity to fund their retirement with "pre tax" dollars. MGP matches employees' contribution with 75 cents for each dollar the employee contributes and Wockhardt USA matches employees' contribution with 1 dollar for each dollar the employee contributes. The maximum match is 6 percent of employees' pay. The assets of the plan are held separately from those of the Company in an independently administered fund.

#### **g) Foreign Currency transactions**

Foreign Currency transactions during the year are recorded at rates of exchange prevailing on the date of the transaction. Foreign Currency denominated assets and liabilities are translated into United States Dollars at the rates of exchange prevailing on the date of the balance sheet. All the exchange differences are dealt with in the Statement of Profit and Loss.

#### **h) Provisions**

A provision is recognised when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### **i) Taxes**

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the provisions of local Income Tax rules as applicable to the financial year. The Company uses liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between tax on accounting profit and tax as per income tax law in force when the differences are anticipated to reverse.

