

BALANCE SHEET

AS AT MARCH 31, 2016

(All amounts are in US Dollars)

| | Notes | March 31, 2016 |
|--|-------|-------------------|
| Equity and liabilities | | |
| Shareholders' funds | | |
| Share capital | 3 | 67,000,000 |
| Reserves and surplus | 4 | 1,083,731 |
| | | 68,083,731 |
| Current liabilities | | |
| Trade payables | 5 | 1,908,455 |
| Other current liabilities | 6 | 270,933 |
| | | 2,179,388 |
| TOTAL | | 70,263,119 |
| Assets | | |
| Non-current assets | | |
| Fixed assets | | |
| Intangible assets under development | | 42,687,015 |
| Non current investments | 7 | 23,221,761 |
| | | 65,908,776 |
| Current assets | | |
| Trade receivables | 8 | 2,982,119 |
| Cash and bank balances | 9 | 1,372,224 |
| | | 4,354,343 |
| TOTAL | | 70,263,119 |
| Summary of significant accounting policies | 2.1 | |

The accompanying notes are an integral part of the financial statements.

For and on behalf of the Board of Directors of
Biocon Biologics Limited

Kiran Mazumdar Shaw
Director

Russell Walls
Director

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STATEMENT OF PROFIT AND LOSS

FOR THE PERIOD ENDED MARCH 31, 2016

(All amounts are in US Dollars, except share data and per share data)

| | Notes | March 31, 2016 |
|--|-------|------------------|
| Income | | |
| Revenue from operations (net) | 10 | 2,982,119 |
| Total revenue (I) | | 2,982,119 |
| Expenses | | |
| Cost of Goods Sold | 11 | 1,065,455 |
| Other expenses | 12 | 562,000 |
| Total expenses (II) | | 1,627,455 |
| Profit / (Loss) before tax | | 1,354,664 |
| Tax expense | | |
| Current tax | | 270,933 |
| Profit / (Loss) for the year | | 1,083,731 |
| Summary of significant accounting policies | 2.1 | |
| The accompanying notes are an integral part of the financial statements. | | |
| Loss per share [nominal value of share \$ 1 (March 31, 2015: NA)] | | |
| Basic and Diluted (in GBP) | | 0.02 |
| Weighted average number of shares used in computing loss per share | | |
| Basic and Diluted | | 47,183,101 |

For and on behalf of the Board of Directors of
Biocon Biologics Limited

Kiran Mazumdar Shaw
Director

Russell Walls
Director

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2016

(All amounts are in US Dollars, except share data and per share data)

1. Corporate information

Biocon Biologics Limited ("the Company"), wholly owned subsidiary of Biocon Limited, was incorporated on March 2, 2016 with registered office in United Kingdom. The Company would be primarily engaged in the trading, development, manufacture and commercialisation of various biosimilar products across the globe.

2. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made and revaluation is carried out.

The accounting policies have been consistently applied by the Company.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b. Tangible fixed assets

Fixed assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and other directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. This applies mainly to components for machinery. When significant parts of fixed assets are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/ settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. Exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset for the period.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognised.

Assets funded by third parties are capitalised at gross value and the funds so received are recorded as funding received from co-developer and amortised over the useful life of the assets.

c. Borrowing costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from short-term foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

d. Investments

Investments which are readily realisable and intended to be held for not more than twelve months from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

e. Foreign currency translation**Foreign currency transactions and balances****Initial Recognition**

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when such values were determined.

Exchange Differences

The Company accounts for exchange differences arising on translation/ settlement of foreign currency monetary items as below:

- (i) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
- (ii) Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.
- (iii) All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of (i) and (ii) above, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. Exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period.

f. Income tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liability is recognised for all taxable timing differences. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

g. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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

h. Operating lease**Where the Company is a Lessee**

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

i. Provisions

A provision is recognised when the Company 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. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

j. Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

k. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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March 31, 2016

| | |
|---|-------------------|
| 3. Share capital | |
| Issued, subscribed and fully paid-up | |
| 47,183,101 equity shares of GBP 1 each | 67,000,000 |
| Total issued, subscribed and fully paid-up share capital | 67,000,000 |
| 4. Reserves and surplus | |
| Surplus/(deficit) in the statement of profit and loss | |
| Balance as per the last financial statements | - |
| Profit / (Loss) for the year | 1,083,732 |
| Net surplus/(deficit) in the statement of profit and loss | 1,083,732 |
| Total reserves and surplus | 1,083,732 |
| 5. Trade payables | 1,908,455 |
| 6. Short term provision | |
| Provision for tax | 270,933 |
| | 270,933 |
| 7. Non current investments (Valued at lower of cost and fair value, unless stated otherwise) | |
| Non-trade and unquoted | |
| Aggregate value of unquoted investments | |
| 6,652,758 equity shares in Biocon Sdn BHD | 16,885,161 |
| Preference shares in Biocon Sdn BHD | 6,336,600 |
| | 23,221,761 |
| 8. Trade receivables | |
| Outstanding for a period less than six months from the date they are due for payment | |
| Considered good, unsecured | 2,982,119 |
| | 2,982,119 |
| 9. Cash and bank balances | |
| Cash and cash equivalents | |
| Balances with banks: | |
| On current accounts | 1,372,224 |
| | 1,372,224 |

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March 31, 2016

10. Revenue from operations (net)

Sale of Goods

| | |
|-------------------------|------------------|
| Sale of Traded Goods | 2,904,825 |
| Others Operating income | 77,294 |
| | <u>2,982,119</u> |

11. Cost of Goods Sold

| | |
|------------------------------|------------------|
| Purchase of Goods for Resale | 1,065,455 |
| | <u>1,065,455</u> |

12. Other expenses

| | |
|---|------------------|
| Research and development expenses | 828,000 |
| Miscellaneous expenses | 15,000 |
| | <u>843,000</u> |
| Expenses incurred on account of Intangible assets under development | <u>(281,000)</u> |
| | <u>562,000</u> |

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