

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF SIMAYLA PHARMACEUTICALS (PTY) LTD.,

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We have not conducted any detailed audit procedures as these financial statements have been audited by the auditors of the Company as appointed under the Laws of the South Africa in accordance with the auditing standards prevalent in South Africa.

In accordance with the above, we have carried out broad review of the financial statements as submitted by the management and as audited by the auditors of the Company. We believe that our review provides a reasonable basis for our opinion. We also believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 South Africa:

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

Emphasis of Matter

Without qualifying our report, the attention of the members is invited to Note No. 14 regarding the financial statements of the Company having been prepared on a going concern basis, notwithstanding the fact that its net worth is substantially eroded. The appropriateness of the said basis is interalia dependent upon the fact that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business and continuous financial support by the promoters to meet company's financial commitments and liabilities as and when they fall due.

Report on Other Legal and Regulatory Requirements

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

- (i) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- (ii) The accounts and financial statements of the Company are duly audited and certified by the Company's Statutory Auditors viz GNR Auditors, South Africa, in accordance with the accounting and auditing standards generally accepted and prevalent in South Africa. The audited accounts along with auditors' report have been submitted to us for our review and have been appropriately verified and reviewed by us in preparing and submitting our report thereon. Our opinion is solely based on the report of the said independent auditors of the Company.

- (iii) The Balance Sheet and the Statement of Profit and Loss dealt with by this Report are in agreement with the books of account.
- (iv) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements including Balance Sheet and statement of Profit and Loss dealt with by this report comply with the accounting standards generally accepted in South Africa.
- (v) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- a. The Company does not have any pending litigations which would impact its financial position.
 - b. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - c. Since the Company is incorporated outside India, this clause regarding reporting on amounts which were required to be transferred to the Investor Education and Protection Fund by the Company is not applicable.

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

Ahmedabad

Date: 14th May, 2015

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

Simayla Pharmaceuticals (Pty) Ltd.
Balance Sheet as at December 31, 2014

Particulars	Note No.	ZAR-Thousands		INR-Thousands	
		As at December 31			
		2014	2013	2014	2013
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	0	0	1	1
Reserves and Surplus	2	(101,054)	(101,050)	(552,766)	(574,975)
		(101,054)	(101,050)	(552,765)	(574,974)
Non-Current Liabilities:					
Long Term Borrowings	3	90,118	90,118	492,945	512,771
Current Liabilities:					
Other Current Liabilities	4	10,954	10,954	59,918	62,328
		10,954	10,954	59,918	62,328
Total		18	22	98	125
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	5	-	-	-	-
Current Assets:					
Cash and Bank Balances	6	18	22	98	125
Total		18	22	98	125
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 15				

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

Particulars	Note No.	ZAR-Thousands		INR-Thousands	
		Year ended December 31			
		2014	2013	2014	2013
REVENUE:					
Other Income	7	-	481	-	26,016
Total Revenue		-	481	-	26,016
EXPENSES:					
Employee Benefits Expense	8	-	187	-	1,064
Finance Costs	9	4	5,071	22	28,854
Depreciation and Impairment expenses	5	-	23	-	131
Other Expenses	10	-	539	-	3,067
Total Expenses		4	5,820	22	33,116
Loss for the year		(4)	(5,339)	(22)	(7,100)
		ZAR		INR	
Basic & Diluted Earning per Equity Share [EPS]	11	(20)	(26,695)	(110)	(35,500)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 15				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 14, 2015

Director

Simayla Pharmaceuticals (Pty) Ltd.

I-Company overview:

The company is engaged in pharmaceutical and operates principally in South Africa. It is wholly owned subsidiary of Zydus Healthcare SA (Pty) Ltd, which is wholly owned subsidiary of Zydus International Private Limited and ultimate holding company is Cadila Healthcare Limited, based in India.

II-Significant Accounting Policies:

1 Basis of Accounting:

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

2 Reporting Currency Translation:

The Local accounts are maintained in local and functional currency which is "South African Rand [ZAR]". These accounts have been translated in Indian Rupees considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to Indian Rupee [INR] from "ZAR" is performed for assets and liabilities using the exchange rates prevailing on the Balance sheet dates and for revenues and expenses using the average exchange rates for the respective periods. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

3 Property, plant and equipment:

- A** Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period
- B** Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.
- C** Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.
- D** Depreciation is provided using the straight line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment which is as follows:

<u>Item</u>	<u>Average useful life</u>	<u>Item</u>	<u>Average useful life</u>
Furniture and fixtures	6 years	IT Equipment	6 years
Motor vehicles	5 years	Leasehold improvements	5 years
Office Equipment	3 years		

- E** The residual value, depreciation and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a significant change from the previous estimate.
- F** 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 and have significantly different patterns of consumption of economical benefits is depreciated separated over its useful life
- G** Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

4 Impairment of assets:

The company assess at each balance sheet date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs, is determined. If an impairment loss subsequently reverses, the carrying amount of the asset [or group of related assets] is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset [or group of assets] in prior years. A reversal of impairment is recognised immediately in profit or loss.

5 Revenue Recognition:

- A** Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and VAT.
- B** Revenue in respect of sales is recognised when goods are dispatched to the customers.
- C** Interest income is recognised on time proportionate method.
- D** Revenue in respect of other income is recognised when no significant uncertainty as to its determination or realisation exists.

6 Provisions and contingencies:

- A** Provisions are recognised when:
 - i The company has an obligation at the reporting period date as a result of a past event;
 - ii It is probable that the company will be required to transfer economic benefits in settlement; and
 - iii The amount of the obligation can be estimated reliably.
- B** Contingent assets and liabilities are not recognised.

7 Borrowing Costs:

Borrowing costs are recognised as an expense in the year in which they are incurred.

8 Deferred tax assets and liabilities:

- A** A deferred tax liability is recognised for all taxable temporary differences.
- B** A deferred tax asset is recognized for all deductible temporary differences and unused tax losses and unused tax credits.
- C** Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting period date.

9 Inventories:

Inventories are measured at the lower of cost and selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis.

Simayla Pharmaceuticals (Pty) Ltd.
Notes to the Financial Statements

	ZAR-Thousands		INR-Thousands	
	As at December 31			
	2014	2013	2014	2013
Note: 1-Share Capital:				
Authorised:				
1,000 [as at December 31, 2013: 1,000] Ordinary shares of ZAR 1/- each	1	1	5	6
	1	1	5	6
Issued, Subscribed and Paid-up:				
200 [as at December 31, 2013: 200] Ordinary shares of ZAR1/- each fully paid up	0	0	1	1
	0	0	1	1
A There is no change in number of shares as at the beginning and end of year. Number of shares at the beginning and end of year	200	200		
B The Company has only ordinary shares. All shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Ordinary shares of ZAR 1/- each, fully paid held by holding company, Zydus Healthcare SA (Pty) Limited, a company incorporated in South Africa which is a subsidiary company of Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate Holding Company, a company incorporated in India.				
Number of shares	200	200		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Securities Premium Reserve:				
Balance as per last Balance Sheet	5,500	5,500	30,085	31,295
Foreign Currency Translation Reserve: [*]				
Balance as per last Balance Sheet	-	-	-	-
Add: Exchange Rate differences on translation to INR	-	-	23,441	-
	-	-	23,441	-
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(106,550)	(101,211)	(606,270)	(599,170)
Add: Loss for the year	(4)	(5,339)	(22)	(7,100)
Balance as at the end of the year	(106,554)	(106,550)	(606,292)	(606,270)
Total	(101,054)	(101,050)	(552,766)	(574,975)
[*] Hitherto, the gain/ loss arising on the translation of the Financial Statements to INR was given effect into Statement of Profit and Loss. However, from the year under report, it is now included in "Foreign Currency Translation Reserve" [FCTR] under Reserves and Surplus. Consequent to this change, loss for the year [on INR conversion only] is higher by INR 23,441 Thousands, with a corresponding effect in "Reserves and Surplus".				
Note: 3-Long Term Borrowings:				
Loan from a Related Party [Unsecured] [*]	90,118	90,118	492,945	512,771
Total	90,118	90,118	492,945	512,771
[*] This loan is taken from Zydus Healthcare SA (Pty) Ltd. The applicable rate of interest is prime rate less 1% and has fixed repayment terms.				
Note: 4-Other Current Liabilities:				
Interest accrued but not due on borrowings	10,954	10,954	59,918	62,328
Total	10,954	10,954	59,918	62,328

Simayla Pharmaceuticals (Pty) Ltd.
Notes to the Financial Statements

Note: 5-Tangible Assets:

	ZAR Thousands			INR Thousands		
	IT Equipment	Vehicles	Total	IT Equipment	Vehicles	Total
Gross Block:						
As at December 31, 2012	163	189	352	965	1,119	2,084
Additions	-	-	-	-	-	-
Disposals	(5)	(9)	(14)	(28)	(51)	(79)
Other adjustments	-	-	-	(38)	(44)	(82)
As at December 31, 2013	158	180	338	899	1,024	1,923
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	(35)	(39)	(74)
As at December 31, 2014	158	180	338	864	985	1,849
Depreciation and Impairment:						
As at December 31, 2012	154	161	315	912	953	1,865
Charge for the year	4	19	23	23	108	131
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	(36)	(37)	(73)
As at December 31, 2013	158	180	338	899	1,024	1,923
Charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Other adjustments	-	-	-	(35)	(39)	(74)
As at December 31, 2014	158	180	338	864	985	1,849
Net Block:						
As at December 31, 2013	-	-	-	-	-	-
As at December 31, 2014	-	-	-	-	-	-

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

	ZAR-Thousands		INR-Thousands	
	As at December 31			
	2014	2013	2014	2013

Note: 6-Cash and Bank Balances:

Balances with Banks	18	22	98	125
Total	18	22	98	125

	ZAR-Thousands		INR-Thousands	
	Year ended December 31			
	2014	2013	2014	2013

Note: 7-Other Income:

Interest Income [Gross]:				
From Others [Other than long term/ current investments]	-	1	-	6
Other Non-operating Income	-	480	-	2,731
Exchange Rate difference due to translation [Refer Note2 (*)]	-	-	-	23,279
Total	-	481	-	26,016

Note: 8-Employee Benefits Expense:

Salaries and wages	-	187	-	1,064
Total	-	187	-	1,064

Note: 9-Finance Cost:

Interest expense - others	-	5,047	-	28,717
Bank Commission & charges	4	24	22	137
Total	4	5,071	22	28,854

Note: 10-Other Expenses:

Rent	-	6	-	34
Insurance	-	23	-	131
Traveling Expenses	-	394	-	2,242
Miscellaneous Expenses [*]	-	116	-	660
Total	-	539	-	3,067
[*] Miscellaneous Expenses include Payment to the auditors for Audit fees	-	46	-	262

Simayla Pharmaceuticals (Pty) Ltd.
Notes to the Financial Statements

Note: 15:

Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classifications/ disclosure.

Signatures to Significant Accounting Policies and Notes 1 to 15 to the Financial Statements

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

For and on behalf of the Board

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 14, 2015

Director