

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF Z AHL Europe B.V.,**

We have audited the accompanying financial statements of **Z AHL Europe B.V.**, (“the Company”) which comprise the Balance Sheet as at 31<sup>st</sup> March, 2015 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. The Netherlands. 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 of these financial statements. However, we have carried out broad review of the certified financial statements as submitted by the management in accordance with the preceding paragraph. We believe that our broad review of financials 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 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 The Netherlands:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2015; and
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date.

### **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 duly prepared and certified by the Management in accordance with the accounting standards generally accepted and prevalent in The Netherlands. These accounts have been submitted to us for our review and have been appropriately verified and reviewed by us in preparing and submitting our report thereon.
- (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 The Netherlands.

- (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: 14<sup>th</sup> May, 2015

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

**ZAHL Europe BV**  
**Balance Sheet as at March 31, 2015**

Particulars	Note No.	Euro-Thousands		INR-Thousands	
		As at March 31			
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	18	18	1,208	1,484
Reserves and Surplus	2	4,847	4,887	325,234	402,834
		4,865	4,905	326,442	404,318
<b>Current Liabilities:</b>					
Trade Payables	3	22	20	1,476	1,649
Other Current Liabilities	4	14	-	939	-
		36	20	2,415	1,649
<b>Total</b>		4,901	4,925	328,857	405,967
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Non-Current Investments	5	4,885	4,885	327,784	402,671
Other Non-Current Assets	6	-	15	-	1,236
		4,885	4,900	327,784	403,907
<b>Current Assets:</b>					
Cash and Bank Balances	7	1	1	67	82
Other Current Assets	8	15	24	1,006	1,978
		16	25	1,073	2,060
<b>Total</b>		4,901	4,925	328,857	405,967
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 14				
<b>Statement of Profit and Loss for the year ended March 31, 2015</b>					
	Note No.	Euro-Thousands		INR-Thousands	
		Year ended March 31			
		2015	2014	2015	2014
<b>REVENUE:</b>					
Other Income	9	1	15	77	1,236
<b>EXPENSES:</b>					
Finance Costs	10	-	1	12	82
Other Expenses	11	41	41	3,202	13,141
Total Expenses		41	42	3,214	13,223
<b>Loss for the year</b>		(40)	(27)	(3,137)	(11,987)
<b>Basic &amp; Diluted Earning per Equity Share [EPS]</b>	12	(222)	(150)	(17,428)	(66,594)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 14				
As per our report of even date		For and on behalf of the Board			
For Mukesh M. Shah & Co., Chartered Accountants Firm Registration Number: 106625W					
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 14, 2015		Director			

**ZAHL Europe BV**  
**Notes to the Financial Statements**

**I-Company Overview:**

ZAHL Europe B.V. ("the Company") is a Dutch Private company with limited liability, incorporated in Amsterdam on June 24, 2008. The Company mainly acts as a Holding company and currently its office address at Teleportboulevard 140, 1043 EJ Amsterdam, the Netherlands.

**II-Significant Accounting Policies:**

**1 Principles of Valuation of Assets and Liabilities:**

**A General Principles:**

The accompanying financial statements have been prepared in accordance with the provisions of the fourth and seventh Directive of the European Community as set forth in Title 9, Book 2 of the Dutch Civil Code.

**B Going Concern:**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes 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.

**C Foreign Currency [Currency other than company's functional currency] Transactions:**

- a The transactions in foreign currencies are stated at the rates of exchange prevailing on the date of transaction.
- b The net gain or loss on account of exchange differences either on settlement or on translation are recognised in the Statement of Profit and Loss.
- c Monetary assets and liabilities denominated in foreign currencies are translated into Euros at the rates of exchange ruling at the balance sheet date.

**D Reporting Currency Translation:**

The Local accounts are maintained in local and functional currency which is "Euro". 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 "Euro" 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.

**E Financial Fixed Assets:**

Shares in group companies are stated at acquisition cost or, in case of a permanent impairment of the value of the shares at lower equity value as determined on the basis of the financial statements of the group companies.

**2 Principles of Determination of Result:**

**A General:**

- a Result is determined as the income generated by the supply of goods and services less the costs and other charges for the year.
- b Income from transactions is recognised in the year in which it is realised.

**B Financial Income and Expenses:**

- a Interest income is recognised on a time-weighted basis.
- b Dividend income is recognised as soon as the right to such income has been acquired.

**C Taxation:**

Domestic corporate income tax is determined by applying Dutch fiscal practice rules and taking into account allowable deductions, charges and exemptions.

**3 Other reserves:**

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been cleared, the other reserves are at the disposal of the shareholder in accordance with the Company's Articles of Association. Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the Shareholder's Equity exceeds the amount of the issued capital and the legal reserves.

**4 Audit:**

Since the Company qualifies as a "small size company", it is not legally required to have its accounts audited as provided for in Article 396, paragraph 1, of Book 2 of the Dutch Civil Code.

**ZAHL Europe BV**  
**Notes to the Financial Statements**

	Euro-Thousands		INR-Thousands	
	As at March 31			
	2015	2014	2015	2014
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
900 [As at March 31, 2014: 900] Equity Shares of Euro 100/- each	90	90	6,039	7,419
	90	90	6,039	7,419
<b>Issued, Subscribed and Paid-up:</b>				
180 [As at March 31, 2014: 180] Equity Shares of Euro 100/- each fully paid up	18	18	1,208	1,484
	18	18	1,208	1,484
A There is no change in the number of shares as at the beginning and end of the year. Number of shares at the beginning and end of year	180	180		
B The Company has only equity shares. All equity shares carry equal rights with respect to voting dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of Euro 100/- each, fully paid held by Holding Company, ZAHL BV, a company incorporated in the Netherlands which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India. Number of Shares % to total share holding	180 100%	180 100%		
<b>Note: 2-Reserves and Surplus:</b>				
<b>Securities Premium Reserve:</b>				
Balance as per last Balance Sheet	5,675	5,675	380,793	467,790
<b>Foreign Currency Translation Reserve: [*]</b>				
Balance as per last Balance Sheet	-	-	-	-
Add: Exchange Rate differences on translation to INR	-	-	12,534	
	-	-	12,534	-
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(788)	(761)	(64,956)	(52,969)
Less: Loss for the year	(40)	(27)	(3,137)	(11,987)
Balance as at the end of year	(828)	(788)	(68,093)	(64,956)
<b>Total</b>	<b>4,847</b>	<b>4,887</b>	<b>325,234</b>	<b>402,834</b>
[*] 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 [in INR conversion only] is higher by INR 12,534 Thousands, with a corresponding effect in "Reserves and Surplus".				
<b>Note: 3-Trade Payables:</b>				
Trade Payables	22	20	1,476	1,649
<b>Total</b>	<b>22</b>	<b>20</b>	<b>1,476</b>	<b>1,649</b>
<b>Note: 4-Other Current Liabilities:</b>				
Payable to Holding Company	12	-	805	-
Provision for Expenses	2	-	134	-
<b>Total</b>	<b>14</b>	<b>-</b>	<b>939</b>	<b>-</b>
<b>Note: 5-Non-Current Investments:</b>				
Long Term Investments [Unquoted] [Valued at Cost]:				
Trade Investment in Equity Instruments of a subsidiary:				
In fully paid-up Equity Shares of Bremer Pharma GmbH				
1 [as at March 31, 2014: 1] Share of Euro 30,000/-				
1 [as at March 31, 2014: 1] Share of Euro 50,000/-				
1 [as at March 31, 2014: 1] Share of Euro 4,00,000/-				
<b>Total</b>	<b>4,885</b>	<b>4,885</b>	<b>327,784</b>	<b>402,671</b>
	<b>4,885</b>	<b>4,885</b>	<b>327,784</b>	<b>402,671</b>

**ZAHL Europe BV**  
**Notes to the Financial Statements**

	Euro-Thousands		INR-Thousands	
	As at March 31			
	2015	2014	2015	2014
<b>Note: 6-Other Non-Current Assets:</b>				
Other Non current assets	-	15	-	1,236
<b>Total</b>	-	15	-	1,236
<b>Note: 7-Cash and Bank Balances :</b>				
Balances with Banks	1	1	67	82
<b>Total</b>	1	1	67	82
<b>Note: 8-Other Current Assets:</b>				
Vat Receivables	12	22	805	1,813
Prepaid Expenses	3	2	201	165
<b>Total</b>	15	24	1,006	1,978
	Euro-Thousands		INR-Thousands	
	Year ended March 31			
	2015	2014	2015	2014
<b>Note: 9-Other Income:</b>				
Other Non-operating Income	1	15	77	1,236
<b>Total</b>	1	15	77	1,236
<b>Note: 10-Finance Cost:</b>				
Bank commission & charges [€ 158.76]	-	1	12	82
<b>Total</b>	-	1	12	82
<b>Note: 11-Other Expenses:</b>				
Legal and Professional Fees	41	40	3,176	3,297
Exchange Rate difference due to translation [Refer Note2 (*)]	-	-	-	9,762
Other Expenses [€ 335.19]	-	1	26	82
<b>Total</b>	41	41	3,202	13,141
<b>Note: 12-Calculation of Earnings per Equity Share [EPS]:</b>				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Loss attributable to Shareholders	(40)	(27)	(3,137)	(11,987)
B Basic and weighted average number of Equity shares outstanding during the year	180	180	180	180
	Euro		INR	
C Nominal value of equity share	100	100	(17,428)	(66,594)
D Basic & Diluted EPS	(222)	(150)	(17,428)	(66,594)

**ZAHL Europe BV**  
**Notes to the Financial Statements**

**Note: 13 - Related Party Transactions:**

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

<b>a Holding Company:</b>	ZAHL B.V.
<b>b Holding Company of Holding Company:</b>	Cadila Healthcare Limited, a company incorporated in India
<b>c Subsidiary Company:</b>	Bremer Pharma GmbH [Germany]
<b>d Fellow Subsidiaries/ Concerns:</b>	
Dialforhealth India Limited	Zydus Pharmaceuticals (USA) Inc. [USA]
Dialforhealth Unity Limited	Nesher Pharmaceuticals (USA) LLC [USA]
Dialforhealth Greencross Limited	Zydus Healthcare (USA) LLC [USA]
German Remedies Limited	Zydus Noveltch Inc. [USA]
Zydus Wellness Limited	Hercon Pharmaceuticals LLC [USA]
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Zydus Healthcare S.A. (Pty) Ltd [South Africa]
Liva Pharmaceuticals Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]
Zydus Technologies Limited	Script Management Services (Pty) Ltd [South Africa]
Biochem Pharmaceutical Industries Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]
Zydus BSV Pharma Private Limited	Laboratorios Combix S.L. [Spain]
M/s. Zydus Healthcare Sikkim, a Partnership Firm	Zydus Pharmaceuticals Mexico SA De CV [Mexico]
Zydus Lanka (Private) Limited [Sri Lanka]	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]
Zydus International Private Limited [Ireland]	Etna Biotech S.R.L. [Italy]
Zydus Netherlands B.V. [the Netherlands]	Zydus Healthcare Philippines Inc. [Philippines]
Zydus France, SAS [France]	Zydus Worldwide DMCC [Dubai]
Zydus Pharma Japan Co. Ltd. [Japan]	Zydus Discovery DMCC [Dubai]

**e Directors:**

Dr. Arun K. Atrey  
Orangefield (Netherlands) B.V. [Ceased to be director w.e.f. January 2, 2015]  
SGG Management (Netherlands) B.V. [Appointed as director w.e.f. January 2, 2015]

**B** The following transactions were carried out with the related parties in the ordinary course of business:

**a** Details relating to parties referred to in items 13 - A [a]

Nature of Transactions

	Value of the Transactions			
	Euro-Thousands		INR-Thousands	
	2015	As at March 31		2014
		2014	2015	
<b>Outstanding:</b>				
Receivable		15	-	1,236
Payable	12		805	-
<b>b</b> Details relating to parties referred to in items 13 - A [e]				
		Year ended March 31		
<b>Purchase:</b>				
<b>Services:</b>				
Orangefield (Netherlands) B.V.	19	25	1,472	2,061
SGG Management (Netherlands) B.V.	11		852	-
<b>Outstanding:</b>				
<b>Payable:</b>				
Orangefield (Netherlands) B.V.	12	14	805	1,154
SGG Management (Netherlands) B.V.	11		738	-

**C** There are no transactions with the related parties referred to in item no. 13 A [b, c & d]

**Note: 14**

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 14 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