

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF LABORATORIOS COMBIX S.L.U.,**

We have audited the accompanying financial statements of **LABORATORIOS COMBIX S.L.U.**, ("the Company") which comprise the Balance Sheet as at 31<sup>st</sup> 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. Spain. 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 Spain in accordance with the auditing standards prevalent in Spain.

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.

### **Emphasis of Matter**

Without qualifying our report, the attention of the members is invited to Note No. II-(4), II-(17) and II-(18) under “Significant Accounting Policies” and Note No. 24 to the financial statements of the Company to the effect that the financial statements 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.

### **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 Spain:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2014; 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 of the Company are duly audited and certified by the Company’s Statutory Auditors viz. Audireport SL, Spain, in accordance with the accounting and auditing standards generally accepted and prevalent in Spain. 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 Spain.
- (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

**Laboratorios Combix S.L.U.**  
**Balance Sheet as at December 31, 2014**

Particulars	Note No.	Euro – Thousands		INR – Thousands	
		As at December 31			
		2014	2013	2014	2013
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	7,453	7,448	568,664	613,939
Reserves and Surplus	2	(15,194)	(13,566)	(1,159,302)	(1,118,245)
		(7,741)	(6,118)	(590,638)	(504,306)
<b>Non-Current Liabilities:</b>					
Long Term Borrowings	3	7,000	7,550	534,100	622,347
<b>Current Liabilities:</b>					
Short Term Borrowings	4	3,883	3,354	296,273	276,470
Trade Payables	5	2,843	2,959	216,921	243,910
Other Current Liabilities	6	2,484	536	189,530	44,183
		9,210	6,849	702,724	564,563
<b>Total</b>		<b>8,469</b>	<b>8,281</b>	<b>646,186</b>	<b>682,604</b>
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Fixed Assets:	7				
Tangible Assets		1,701	1,738	129,788	143,264
Intangible Assets		702	1,178	53,563	97,103
		2,403	2,916	183,351	240,367
Deferred Tax Assets [Net]		40	-	3,052	-
		2,443	2,916	186,403	240,367
<b>Current Assets:</b>					
Inventories	8	3,357	2,454	256,139	202,283
Trade Receivables	9	2,350	2,416	179,305	199,151
Cash and Bank Balances	10	204	342	15,565	28,191
Short Term Loans and Advances	11	115	153	8,774	12,612
		6,026	5,365	459,783	442,237
<b>Total</b>		<b>8,469</b>	<b>8,281</b>	<b>646,186</b>	<b>682,604</b>
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 25				
<u>As per our report of even date</u>		<u>For and on behalf of the Board</u>			
For Mukesh M. Shah & Co., Chartered Accountants Firm Registration Number: 106625W					
Chandresh S. Shah Partner Membership Number: 042132 Ahmedabad, Dated: May 14, 2015		Director			

**Laboratorios Combix S.L.U.**  
**Statement of Profit and Loss for the year ended December 31, 2014**

Particulars	Note No.	Euro – Thousands		INR – Thousands	
		Year ended December 31			
		2014	2013	2014	2013
<b>REVENUE:</b>					
Revenue from Operations:					
Sale of Products [Pharma Products]		10,101	10,017	818,383	825,701
Other Operating Revenues	13	101	-	8,183	-
Net Revenue from Operations		10,202	10,017	826,566	825,701
Other Income	14	15	1	1,215	82
Total Revenue		10,217	10,018	827,781	825,783
<b>EXPENSES:</b>					
Purchases of Stock-in-Trade	15	7,154	5,310	579,617	437,703
Changes in Inventories of Finished goods and Stock-in-Trade	16	(903)	983	(53,856)	37,035
Employee Benefits Expense	17	2,213	2,315	179,297	190,826
Finance Costs	18	397	405	32,165	33,384
Depreciation, Amortisation and impairment expenses	7	448	448	36,297	36,929
Other Expenses	19	3,505	3,069	283,975	497,725
Total Expenses		12,814	12,530	1,057,495	1,233,602
<b>Loss before Exceptional items and Tax</b>		(2,597)	(2,512)	(229,714)	(407,819)
Less: Exceptional Items	20	1,367	-	110,754	-
<b>Loss before Tax</b>		(3,964)	(2,512)	(340,468)	(407,819)
Add: Deferred Tax		40	-	3,241	-
<b>Loss for the year</b>		(3,924)	(2,512)	(337,227)	(407,819)
<b>Basic &amp; Diluted Earning per Equity Share [EPS]</b>	21	(0.53)	(0.34)	(45.26)	(54.76)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 25				

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

**I-Company overview:**

Laboratorios Combix, S.L. [the company] was incorporated with limited liability under Spanish law on 19 December, 2005. The company's registered office and installations are in Madrid. The statutory activity of the Company consists of the manufacture, marketing, distribution and sale of medicines and pharmaceutical healthcare products in general, as well as any other activities directly or indirectly related to the above. The company's main activity is the sale of generic medicines.

**II-Significant Accounting Policies:**

**1 Basis of Accounting:**

The Accounts have been prepared, in accordance with accounting principles established in the Spanish General Chart of Accounts.

**2 Reporting Currency Translations:**

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.

**3 Use of Estimates:**

The preparation of the financial statements in conformity with Spanish generally accepted principles requires management to make estimate and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year.

**4 Going Concern:**

The Company has prepared its financial statements according to the going concern principle, there being no type of considerable risk that may suppose significant changes in the value of the assets and liabilities in the next reporting year.

**5 Fixed Assets and Depreciation:**

**A Tangible Fixed Assets:**

- a Tangible fixed assets are stated at cost, less accumulated depreciation.
- b Tangible fixed assets are depreciated on a straight line basis in relation to their estimated useful lives.
- c The rates applied are as follows :
 

- Building	2%
- Other installations and Furniture	10%
- Information Processing equipment	16% - 25%
- Other Fixed Assets	10%

**B Intangible Fixed Assets:**

- a Intangible assets comprise of licenses and commercial rights corresponding to pharmaceutical specialties. These are valued at initial disbursement sum. Depreciation is calculated on straight - line basis over a period of five years commencing from their date of purchase.
- b Intangible asset comprising of software is valued at purchase price or production cost. The useful life of these elements is estimated between three and six years.

**6 Impairment of Assets:**

The company, at each balance sheet date assess whether there is any indication of impairment of any asset and / or cash generating unit. If such indication exists, asset are impaired by comparing carrying amount of each asset and / or cash generating unit to the recoverable amount being higher of the net selling price or value in use. Value in use is determined from the present value of estimated future cash flow from the continuing use of the assets.

**7 Loans and Receivables:**

These financial assets are initially valued at their fair value at their transaction price plus transaction costs directly attributable thereto.

**8 Held-to-Maturity Investments:**

These includes short term loans when it has the effective intention and capacity of holding them to maturity thereof. These are initially valued at transaction price plus transactions cost directly attributable thereto.

**9 Inventories:**

Initial Valuation

Medicament stocks are valued at average purchase cost. Financial costs are included in the purchase price.

Subsequent Valuation

When the net realisable value of the stocks is lower than their purchase price, the due valuation corrections are made, recognising them as a cost in the Statement of Profit and Loss.

If stock revaluation circumstances cease to obtain, the correction sum is reverted and recognised as income in the profit and loss.

**10 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 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.

**11 Legal Reserve:**

The legal reserve is a restricted reserve which is endowed by imperative of the Law regarding corporations. The consolidated text of this Law, which came into force on 1 January 1990, establishes that in all cases a figure equal to 10% of the profit will be allocated to the legal reserve until it reaches, at least, 20% of share capital.

The legal reserve, whilst it does not exceed the indicated limit, may only be used for offsetting losses if no other reserves are available that are sufficient for this purpose.

**II-Significant Accounting Policies-Continued:****12 Indemnities for terminated work Contracts:**

Except in the case of justifiable cause, companies are liable to pay indemnities to employees whose services are discontinued. In the absence of any abnormal termination of employees' services and because indemnities are not payable to employees who retire or voluntarily leave the Company, indemnity payments, if they arise, are expensed when the decision to terminate employment is taken.

**13 Income Tax:**

The expense for Income Tax is determined via the sum of the expense for current tax and deferred tax. The expense for current tax is determined by applying the legal tax rate, and reducing the result thus obtained by the amount of the general rebates and deductions and those applied in the financial year. Assets and liabilities for deferred taxes arise from temporary differences defined as the amounts expected to be payable or recoverable in future and which derive from the difference between the book value of the assets and liabilities and their tax base. The said amounts are recorded by applying to the temporary difference the tax rate at which they are expected to be recovered or settled. Deferred tax assets, identified with deductible temporary differences, negative tax bases and deductions pending offset, are only recognised when it is considered probable that the company will have sufficient taxable profits in future against which they may be utilised. At the close of each financial year, the recorded deferred taxes [both assets and liabilities] are reviewed in order to ascertain that they remain valid, making the opportune corrections to them, in accordance with the results of the analysis performed.

**14 Staff Cost:**

Except for just cause, companies are obliged to compensate employees when they cease their services. In the absence of any foreseeable need for abnormal termination of employment and since employees who retire or voluntarily cease their services do not receive compensation, payments of compensation are charged to expense when a decision is taken to dismiss the employee.

**15 Provision for Bad and Doubtful Debts/Advances:**

Provision is made in accounts for bad and doubtful debts/ advances which in the opinion of the management is considered doubtful of recovery.

**16 Provisions, Contingent Liabilities and Contingent Assets:**

Provision is recognised when the company has a present obligation as a result of past events and it is probable that the outflow of resources will be required to settle the obligation and in respect of which reliable estimates can be made. A disclosure for contingent liability is made when there is a possible 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/disclosure is made. Contingent assets are not recognised in the financial statements. Provisions and contingencies are reviewed at each balance sheet date and adjusted to reflect the correct management estimates.

**17 Events subsequent to closing:**

Subsequent to the closing of the reporting year and up to the date of preparation of these annual accounts, no relevant event has occurred that may have a significant effect on the said annual accounts. However, subsequent to the closing of the reporting year the governing body will propose to the Shareholders' Meeting the carrying out of the opportune operations in order to re-establish the balance of the company's equity. In accordance with its multi-year business plan, the Company's shareholders have the firm commitment to perform all the operations that may be necessary to re-establish the balance of the equity.

**18 Contribution received from subscriber:**

As per the statutory requirement pursuant to law applicable to the company, if Net Capital is eroded by more than 50% of subscribed capital, then shareholders are obliged to induct the fresh capital or write off the losses by reducing the capital, in such a way that Net capital becomes 50% or more of total subscribed capital.

In order to improve the financial position of the company the holding company has subscribed to the paid up capital at a premium by infusing Euro 4,600 during the month of May'14.

**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

	Euro – Thousands		INR – Thousands	
	As at December 31			
	2014	2013	2014	2013
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
7,453,006 [as at December 31, 2013: 7,448,406] Equity Shares of Euro 1/- each	7,453	7,448	568,664	613,939
	7,453	7,448	568,664	613,939
<b>Issued, Subscribed and Paid-up:</b>				
7,453,006 [as at December 31, 2013: 7,448,406] Equity Shares of Euro 1/- each, fully paid	7,453	7,448	568,664	613,939
	7,453	7,448	568,664	613,939
A The reconciliation of the number of Shares outstanding is as under:				
Number of shares at the beginning	7,448,406	7,445,806		
Add: Shares issued during the year	4,600	2,600		
Number of shares at the end	7,453,006	7,448,406		
B The Company has only equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and 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 1/- each, fully paid held by Holding Company, Zydus Netherlands B.V., a company incorporated in the Netherlands 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	7,453,006	7,448,406		
% to total share holding	100%	100%		
<b>Note: 2-Reserves and Surplus:</b>				
<b>Securities Premium Reserve:</b>				
Balance as per last Balance Sheet	4,630	3,333	381,651	274,739
Add: Addition during the year	2,296	1,297	175,185	106,912
	6,926	4,630	556,836	381,651
<b>Foreign Currency Translation Reserve: [*]</b>				
Balance as per last Balance Sheet	-	-	-	-
Add: Exchange Rate differences on translation to INR	-	-	120,985	-
	-	-	120,985	-
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(18,196)	(15,684)	(1,499,896)	(1,092,077)
Add: Loss for the year	(3,924)	(2,512)	(337,227)	(407,819)
Balance as at the end of year	(22,120)	(18,196)	(1,837,123)	(1,499,896)
<b>Total</b>	(15,194)	(13,566)	(1,159,302)	(1,118,245)
[*] 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 120,985 Thousands, with a corresponding effect in "Reserves and Surplus".				
<b>Note: 3-Long Term Borrowings:</b>				
From a Related Party [Unsecured] [*]				
Non-current portion	7,000	7,550	534,100	622,347
Current Maturities	550	-	41,965	-
Total	7,550	7,550	576,065	622,347
Less: Current Maturities disclosed under "Other Current Liabilities" [Note-6]	(550)	-	(41,965)	-
<b>Total</b>	7,000	7,550	534,100	622,347
[*] The loan has no fixed repayment terms since the same is received in different tranche from Zydus International Private Limited, holding company of the holding Company. Interest is charged at Euro LIBOR + Margin.				
<b>Note: 4-Short Term Borrowings:</b>				
Working Capital Loans from Banks [Unsecured] [*]	3,883	3,354	296,273	276,470
<b>Total</b>	3,883	3,354	296,273	276,470
[*] The working capital loan is backed by Corporate Guarantee of the ultimate holding company, the interest is charged at Euro LIBOR plus 100 bps.				
<b>Note: 5-Trade Payables:</b>				
Trade Payables	2,843	2,959	216,921	243,910
<b>Total</b>	2,843	2,959	216,921	243,910



**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

	Euro – Thousands		INR – Thousands		
	As at December 31				
	2014	2013	2014	2013	
<b>Note: 6-Other Current Liabilities:</b>					
Current Maturities of Long Term Debt [Refer Note-3]	550	-	41,965	-	
Interest accrued but not due on borrowings	322	316	24,569	26,048	
Others:					
Provision for Expenses	1,612	220	122,996	18,135	
<b>Total</b>	<b>2,484</b>	<b>536</b>	<b>189,530</b>	<b>44,183</b>	
<b>Note: 7-Fixed Assets:</b>					
<b>A Tangible Assets:</b>					
	Leasehold		Furniture and	Office	
	<u>Land</u>	<u>Buildings</u>	<u>Fixtures</u>	<u>Equipment</u>	<u>Total</u>
	<b>Euro Thousands</b>				
Gross Block:					
As at December 31, 2012	486	1,255	57	108	1,906
Additions					-
Disposals	-	-	-	-	-
Other adjustments	-	-	-	(47)	(47)
As at December 31, 2013	486	1,255	57	61	1,859
Additions				4	4
Disposals					-
Other adjustments					-
As at December 31, 2014	486	1,255	57	65	1,863
Depreciation and Impairment:					
As at December 31, 2012	-	41	15	71	127
Depreciation for the year	-	25	6	10	41
Impairment for the year					-
Disposals	-	-	-	(47)	(47)
As at December 31, 2013	-	66	21	34	121
Depreciation for the year		25	6	10	41
Impairment for the year					-
Disposals					-
As at December 31, 2014	-	91	27	44	162
Net Block:					
As at December 31, 2013	486	1,189	36	27	1,738
As at December 31, 2014	486	1,164	30	21	1,701
	<b>INR Thousands</b>				
Gross Block:					
As at December 31, 2012	33,840	87,386	3,969	7,520	132,715
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Other adjustments	6,221	16,064	730	(2,492)	20,523
As at December 31, 2013	40,061	103,450	4,699	5,028	153,238
Additions	-	-	-	324	324
Disposals	-	-	-	-	-
Other adjustments	(2,979)	(7,693)	(350)	(392)	(11,414)
As at December 31, 2014	37,082	95,757	4,349	4,960	142,148
Depreciation and Impairment:					
As at December 31, 2012	-	2,855	1,044	4,944	8,843
Depreciation for the year	-	2,061	495	824	3,380
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	(3,874)	(3,874)
Other adjustments	-	524	192	909	1,625
As at December 31, 2013	-	5,440	1,731	2,803	9,974
Depreciation for the year	-	2,026	486	810	3,322
Impairment for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Other adjustments	-	(523)	(157)	(256)	(936)
As at December 31, 2014	-	6,943	2,060	3,357	12,360
Net Block:					
As at December 31, 2013	40,061	98,010	2,968	2,225	143,264
As at December 31, 2014	37,082	88,814	2,289	1,603	129,788
Note: Other adjustments include adjustments on account of exchange rate translation differences.					

**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

**Note: 7-Fixed Assets-Continued:**

**B Intangible Assets:**

	Brands/ Trademarks	Computer Software	Commercial Rights	Total
<b>Euro Thousands</b>				
Gross Block:				
As at December 31, 2012	100	239	4,061	4,400
Additions	-	-	199	199
Disposals	-	-	-	-
Other adjustments		(9)	(2,119)	(2,128)
As at December 31, 2013	100	230	2,141	2,471
Additions				-
Disposals			(106)	(106)
Other adjustments				-
As at December 31, 2014	100	230	2,035	2,365
Amortisation and Impairment:				
As at December 31, 2012	100	148	2,766	3,014
Amortisation for the year		38	369	407
Disposals	-	(9)	(2,119)	(2,128)
As at December 31, 2013	100	177	1,016	1,293
Amortisation for the year		38	369	407
Disposals	-		(37)	(37)
As at December 31, 2014	100	215	1,348	1,663
Net Block:				
As at December 31, 2013	-	53	1,125	1,178
As at December 31, 2014	-	15	687	702
<b>INR Thousands</b>				
Gross Block:				
As at December 31, 2012	6,963	16,642	282,767	306,372
Additions	-	-	16,404	16,404
Disposals	-	-	-	-
Other adjustments	1,280	2,317	(122,688)	(119,091)
As at December 31, 2013	8,243	18,959	176,483	203,685
Additions	-	-	-	-
Disposals	-	-	(8,588)	(8,588)
Other adjustments	(613)	(1,410)	(12,624)	(14,647)
As at December 31, 2014	7,630	17,549	155,271	180,450
Amortisation and Impairment:				
As at December 31, 2012	6,963	10,305	192,597	209,865
Amortisation for the year	-	3,132	30,417	33,549
Disposals	-	(742)	(174,669)	(175,411)
Other adjustments	1,280	1,895	35,404	38,579
As at December 31, 2013	8,243	14,590	83,749	106,582
Amortisation for the year	-	3,079	29,896	32,975
Disposals	-	-	(2,998)	(2,998)
Other adjustments	(613)	(1,264)	(7,795)	(9,672)
As at December 31, 2014	7,630	16,405	102,852	126,887
Net Block:				
As at December 31, 2013	-	4,369	92,734	97,103
As at December 31, 2014	-	1,144	52,419	53,563

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

**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

	Euro – Thousands		INR – Thousands	
	As at December 31			
	2014	2013	2014	2013
<b>Note: 8-Inventories:</b>				
[The Inventory is valued at lower of cost and net realisable value]				
Stock-in-Trade	3,357	2,454	256,139	202,283
<b>Total</b>	<b>3,357</b>	<b>2,454</b>	<b>256,139</b>	<b>202,283</b>
The above includes Goods in transit	146	88	11,140	7,254
<b>Note: 9-Trade Receivables:</b>				
[Unsecured, Considered good]				
Outstanding for a period exceeding six months from the date they are due for payment:				
Considered good	21	14	1,602	1,154
Considered doubtful	164	155	12,513	12,777
	<b>185</b>	<b>169</b>	<b>14,115</b>	<b>13,931</b>
Less : Provision for doubtful debts	164	155	12,513	12,777
	<b>21</b>	<b>14</b>	<b>1,602</b>	<b>1,154</b>
Others	2,329	2,402	177,703	197,997
<b>Total</b>	<b>2,350</b>	<b>2,416</b>	<b>179,305</b>	<b>199,151</b>
<b>Note: 10-Cash and Bank Balances:</b>				
Balances with Banks	204	341	15,565	28,109
Cash on Hand	-	1	-	82
<b>Total</b>	<b>204</b>	<b>342</b>	<b>15,565</b>	<b>28,191</b>
Balances with bank includes:				
Bank deposits with maturity of more than 12 months	90	90	6,867	7,419
<b>Note: 11-Short Term Loans and Advances:</b>				
Others:				
Balances with Revenue Authorities	88	125	6,714	10,304
Advances recoverable in cash or in kind or for value to be received	27	28	2,060	2,308
<b>Total</b>	<b>115</b>	<b>153</b>	<b>8,774</b>	<b>12,612</b>
<b>Note: 12-Contingent Liabilities and commitment [to the extent not provided for]:</b>				
A Contingent Liabilities:				
a Claims against the Company not acknowledged as debts	-	1,010	-	83,254
B Commitments:				
a Estimated amount of contracts remaining to be executed on capital account and not provided for [Net of Advances]	-	20	-	1,649
	Euro – Thousands		INR – Thousands	
	Year ended December 31			
	2014	2013	2014	2013
<b>Note: 13-Other Operating Revenues:</b>				
Miscellaneous Income	101	-	8,183	-
<b>Total</b>	<b>101</b>	<b>-</b>	<b>8,183</b>	<b>-</b>
<b>Note: 14-Other Income:</b>				
Interest Income from Others [Other than long term/ current investments]	-	1	-	82
Net Gain on Assets	15	-	1,215	-
<b>Total</b>	<b>15</b>	<b>1</b>	<b>1,215</b>	<b>82</b>

**Laboratorios Combig S.L.U.**  
**Notes to the Financial Statements**

	Euro – Thousands		INR – Thousands	
	Year ended December 31			
	2014	2013	2014	2013
<b>Note: 15-Purchase of Stock-in-Trade:</b>				
Purchase of Stock-in-Trade [Pharma Products]	7,154	5,310	579,617	437,703
<b>Total</b>	<b>7,154</b>	<b>5,310</b>	<b>579,617</b>	<b>437,703</b>
<b>Note: 16-Changes in Inventories:</b>				
Stock-in-Trade:				
Stock at commencement	2,454	3,437	202,283	239,318
Less: Stock at close	3,357	2,454	256,139	202,283
<b>Total</b>	<b>(903)</b>	<b>983</b>	<b>(53,856)</b>	<b>37,035</b>
<b>Note: 17-Employee Benefit Expense:</b>				
Salaries and wages	1,810	1,895	146,646	156,205
Contribution to provident and other funds	403	420	32,651	34,621
<b>Total</b>	<b>2,213</b>	<b>2,315</b>	<b>179,297</b>	<b>190,826</b>
<b>Note: 18-Finance Cost:</b>				
Interest expense [*]	353	356	28,600	29,345
Bank commission & charges	44	49	3,565	4,039
<b>Total</b>	<b>397</b>	<b>405</b>	<b>32,165</b>	<b>33,384</b>
[*] The break up of interest expense in to major heads is given below:				
On term loans	322	316	26,088	26,048
On working capital loans	31	40	2,512	3,297
	<b>353</b>	<b>356</b>	<b>28,600</b>	<b>29,345</b>
<b>Note: 19-Other Expenses:</b>				
Power & fuel	81	90	6,563	7,419
Repairs to Others	5	6	405	495
Insurance	55	38	4,456	3,132
Rates and Taxes [excluding taxes on income]	984	616	79,724	50,777
Traveling Expenses	147	187	11,910	15,414
Legal and Professional Fees	158	270	12,801	22,256
Exchange Rate difference due to translation [Refer Note2 (*)]	-	-	-	244,746
Freight and forwarding on sales	596	629	48,288	51,848
Representative Allowances	128	150	10,371	12,365
Other marketing expenses	1,215	953	98,439	78,556
Bad Debts:				
Bad debts written off	15	-	1,215	-
Provision for Doubtful Debts	23	13	1,863	1,072
	<b>38</b>	<b>13</b>	<b>3,078</b>	<b>1,072</b>
Less : Transferred from Provision for Doubtful Debts	(14)	(17)	(1,134)	(1,401)
	<b>24</b>	<b>(4)</b>	<b>1,944</b>	<b>(329)</b>
Miscellaneous Expenses [*]	112	134	9,074	11,046
<b>Total</b>	<b>3,505</b>	<b>3,069</b>	<b>283,975</b>	<b>497,725</b>
[*] Miscellaneous Expenses include Payment to the auditors as Auditor				
	<b>10</b>	<b>10</b>	<b>810</b>	<b>824</b>
<b>Note: 20-Exceptional Items:</b>				
Provision for amount payable to a former supplier for termination of supply contract, pursuant to the order passed by the Hon'able High Court of Madrid, Spain	1,367	-	110,754	-
<b>Total</b>	<b>1,367</b>	<b>-</b>	<b>110,754</b>	<b>-</b>
<b>Note: 21-Calculation of Earnings per Equity Share [EPS]:</b>				
The numerators and denominators used to calculate basic and diluted EPS are:				
A Loss attributable to Shareholders	(3,924)	(2,512)	(337,227)	(407,819)
B Basic and weighted average number of Equity shares outstanding during the year	7,451,089	7,447,539	7,451,089	7,447,539
	Euro		INR	
C Nominal value of equity share	1	1		
D Basic and Diluted EPS	(0.53)	(0.34)	(45.26)	(54.76)

**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

**Note: 22-Related Party Transactions:**

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

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

**B Transactions with Related Parties :**

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 22 A [a, b, c & d]

Value of the Transactions [Euro - Thousands]

<u>Nature of Transactions</u>	<u>Holding Company and</u>		<u>Ultimate Holding company</u>		<u>Fellow Subsidiaries</u>	
	<u>Holding company of</u>		<u>Year ended December 31</u>			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Purchases:</b>						
Cadila Healthcare Limited			1,644	1,583		
Zydus France, SAS					-	125
<b>Service from:</b>						
Cadila Healthcare Limited			41	41		
Zydus France, SAS					64	161
<b>Finance:</b>						
<b>Interest paid on loan :</b>						
Zydus International Private Limited	322	316				
<b>Investments:</b>						
<b>Subscription to Share Capital from:</b>						
Zydus Netherlands B.V.	2,300	1,300				
			<u>As at December 31</u>			
<b>Outstanding:</b>						
<b>Interest Payable:</b>						
Zydus International Private Limited	322	316				
<b>Loan Payable:</b>						
Zydus International Private Limited	7,550	7,550				
<b>Payable:</b>						
Cadila Healthcare Limited			847	889		
Zydus France, SAS					9	7

**Laboratorios Combix S.L.U.**  
**Notes to the Financial Statements**

**Note: 22-Related Party Transactions-Continued:**

<u>Nature of Transactions</u>	<u>Value of the Transactions [ INR - Thousands ]</u>					
	<u>Holding Company and Holding company of Holding company</u>		<u>Ultimate Holding company</u>		<u>Fellow Subsidiaries</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Purchases:</b>						
Cadila Healthcare Limited			<b>133,197</b>	130,487	-	10,318
Zydus France, SAS						
<b>Service from:</b>						
Cadila Healthcare Limited			<b>3,322</b>	3,343		
Zydus France, SAS					<b>5,185</b>	13,271
<b>Finance:</b>						
<b>Interest paid on loan :</b>						
Zydus International Private Limited	<b>26,088</b>	26,048				
<b>Investments:</b>						
<b>Subscription to Share Capital from:</b>						
Zydus Netherlands B.V.	<b>175,490</b>	107,159				
			<u>As at December 31</u>			
<b>Outstanding:</b>						
<b>Interest Payable:</b>						
Zydus International Private Limited	<b>24,569</b>	26,048				
<b>Loan Payable:</b>						
Zydus International Private Limited	<b>576,065</b>	622,347				
<b>Payable:</b>						
Cadila Healthcare Limited			<b>64,626</b>	73,246		
Zydus France, SAS					<b>687</b>	613

**b** There are no transactions with the parties referred to in item no. 22 A [e]

**Note: 23-Segment Information:**

There is only one segment, namely "Pharmaceuticals".

**Note: 24**

As on December 31, 2014, the company has negative net worth of Euro 7,741 K and also made losses of Euro 3,924 K during the year. However, the losses incurred by the Company are the result of a medium- and long-term strategy and business plan. The said strategy contemplates the financial support of the shareholders to cover the losses that may be produced operationally in accordance with the business plan. There is a total commitment by the shareholders to make sufficient contributions of liquidity in order that the company may perform its operations normally. In accordance with the provisions of Spanish Law that contemplated in letter (d) of Article 20.1 of Royal Decree-law 7/1996 in relation to, participatory loans, the participative loans will be considered as book value net worth of the Company for the purposes of capital reduction and liquidation of companies.

**Note: 25**

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 25 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