

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZAHL B.V.,

We have audited the accompanying financial statements of **ZAHL B.V.**, ("the Company") which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss and Cash flow statements 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, financial performance and cash flows 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 31st March, 2015;
- (b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date.
- (c) in case of the Cash Flow Statement, of the cash flows of the Company 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 forwarded to us for our review and have been appropriately dealt with by us in preparing and submitting our report thereon.
- (iii) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement 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, statement of Profit and Loss and Cash flow statements 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: 14th May, 2015

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

ZAHL B.V.
Balance Sheet as at March 31, 2015

Particulars	Note No.	Euro-Thousands		INR-Thousands	
		As at March 31			
		2015	2014	2015	2014
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	18	18	1,208	1,484
Reserves and Surplus	2	5,546	5,579	372,136	459,882
		5,564	5,597	373,344	461,366
Non-Current Liabilities:					
Long Term Borrowings	3	160	75	10,736	6,182
Current Liabilities:					
Trade Payables	4	24	15	1,610	1,236
Other Current Liabilities	5	3	16	201	1,319
		187	106	12,547	8,737
Total		5,751	5,703	385,891	470,103
ASSETS:					
Non-Current Assets:					
Non-Current Investments	6	5,693	5,693	382,000	469,274
		5,693	5,693	382,000	469,274
Current Assets:					
Cash and Bank Balances	7	43	7	2,885	582
Other Current Assets	8	15	3	1,006	247
		58	10	3,891	829
Total		5,751	5,703	385,891	470,103
Significant Accounting Policies	I				
Notes to the Financial Statements	1 to 14				

Statement of Profit and Loss for the year ended March 31, 2015

	Note No.	Euro-Thousands		INR-Thousands	
		Year ended March 31			
		2015	2014	2015	2014
REVENUE:					
Other Income	9	-	-	-	-
Total Revenue		-	-	-	-
EXPENSES:					
Finance Costs	9	-	0	-	14
Other Expenses	10	33	30	2,556	3,949
Total Expenses		33	30	2,556	3,963
Loss for the year		(33)	(30)	(2,556)	(3,963)
Basic & Diluted Earning per Equity Share [EPS]	11	(183)	(168)	(14,200)	(22,017)
Significant Accounting Policies	I				
Notes to the Financial Statements	1 to 14				

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

ZAHL B.V.
Notes to the Financial Statements

I Company Overview

ZAHL 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 for ZAHL Europe BV and Bremer Pharma GmbH. The Company's registered office is situated 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. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

B 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.

C Reporting Currency Translation:

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

D 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:

Interest income is recognised on a time-weighted basis. 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.

Z AHL B.V.					
Notes to the Financial Statements					
		Euro-Thousands		INR-Thousands	
		As at March 31			
		2015	2014	2015	2014
Note: 1-Share Capital:					
Authorised:					
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
Issued, Subscribed and Paid-up:					
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 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, Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.					
Number of Shares		180	180		
% to total share holding		100%	100%		
Note: 2-Reserves and Surplus:					
Securities Premium Reserve:					
Balance as per last Balance Sheet		5,725	5,725	384,148	471,912
Foreign Currency Translation Reserve: [*]					
Balance as per last Balance Sheet				-	
Add/ [Less]: Exchange differences on translation to Indian Rupee				2,574	
				2,574	-
Surplus in statement of Profit and Loss:					
Balance as per last Balance Sheet		(146)	(116)	(12,030)	(8,067)
Less: Loss for the year		(33)	(30)	(2,556)	(3,963)
Balance as at the end of year		(179)	(146)	(14,586)	(12,030)
Total		5,546	5,579	372,136	459,882
[*] 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 2,574 thousands, with a corresponding effect in "Reserves and Surplus".					
Note:3-Long Term Borrowings:					
From Related Parties [Unsecured] [*]		160	75	10,736	6,182
TOTAL		160	75	10,736	6,182
[*] Loan is received from Zydus International Private Limited. Interest is charged at 6 Month EUROLIBOR plus 150 bps.No amount falls due in next twelve months.					
Note: 4-Trade Payables:					
Trade Payables		24	15	1,610	1,236
Total		24	15	1,610	1,236
Note: 5-Other Current Liabilities:					
Payable to Related Parties [*]		3	16	201	1,319
Total		3	16	201	1,319
[*] Details of Payable to Related Parties [Refer note no. 13 for relationship] are as under:					
Z AHL Europe B.V.		-	15	-	1,236
Zydus International Private Limited		3	1	201	83
		3	16	201	1,319
		Euro-Thousands		INR-Thousands	
		As at March 31			
		2015	2014	2015	2014
Note: 6-Non-Current Investments:					
Long Term Investments [Unquoted] [Valued at Cost]:					
Trade Investment in Equity Instruments of a subsidiary: Z AHL-Europe B.V.		5,693	5,693	382,000	469,274
Total		5,693	5,693	382,000	469,274
Explanations :					
In " Nos. [*]" figures of previous year are same unless stated in [].					

ZAHL B.V.				
Notes to the Financial Statements				
	Euro-Thousands		INR-Thousands	
	As at March 31			
	2015	2014	2015	2014
Note: 7-Cash and Bank Balances :				
Balances with Bank	43	7	2,885	582
Total	43	7	2,885	582
Note: 8-Other Current Assets:				
Prepaid Expenses	3	3	201	247
Receivable from Subsidiary - ZAHL Europe B.V.	12		805	
Total	15	3	1,006	247
	Euro-Thousands		INR-Thousands	
	Year ended March 31			
	2015	2014	2015	2014
Note: 10-Finance Cost:				
Bank commission & charges	-	0	-	14
Total	-	0	-	14
Note: 11-Other Expenses:				
Legal and Professional Fees	30	29	2,324	2,390
Exchange rate difference due to translation [Refer Note - 2 *]	-	-		1,477
Other Expenses	3	1	232	82
Total	33	30	2,556	3,949
Note: 12-Calculation of Earnings per Equity Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are as follows:				
A Loss attributable to Shareholders	(33)	(30)	(2,556)	(3,963)
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		
D Basic & Diluted EPS	(183)	(168)	(14,200)	(22,017)
Note: 13 - Related Party Transactions:				
A Name of the Related Parties and Nature of the Related Party Relationship:				
a Holding Company:		Cadila Healthcare Limited		
b Subsidiary Companies:		Bremer Pharma GmbH [Germany]		
ZAHL Europe B.V. [the Netherlands]				
c Fellow Subsidiaries/ Concerns:				
Dialforhealth India Limited	Neshar Pharmaceuticals (USA) LLC [USA]			
Dialforhealth Unity Limited	Zydus Healthcare (USA) LLC [USA]			
Dialforhealth Greencross Limited	Zydus Noveltech Inc. [USA]			
German Remedies Limited	Hercon Pharmaceuticals LLC [USA]			
Zydus Wellness Limited	Zydus Healthcare S.A. (Pty) Ltd [South Africa]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Liva Pharmaceuticals Limited	Script Management Services (Pty) Ltd [South Africa]			
Zydus Technologies Limited	Zydus France, SAS [France]			
Biochem Pharmaceutical Industries Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]			
Zydus BSV Pharma Private Limited	Zydus Pharma Japan Co. Ltd. [Japan]			
M/s. Zydus Healthcare, a Partnership Firm	Laboratorios Combix S.L. [Spain]			
Zydus Lanka (Private) Limited [Sri Lanka]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]			
Zydus Healthcare Philippines Inc. [Philippines]	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 Worldwide DMCC [Dubai]			
ZAHL B.V. [the Netherlands]	Zydus Discovery DMCC [Dubai]			
Zydus Pharmaceuticals (USA) Inc. [USA]				
d Directors:				
Dr. Arun K. Atrey	Orangefield (Netherlands) B.V (ceased to be director w.e.f. 02nd Jan, 2015)			
	SGG Management (Netherlands) B.V. (appointed as director w.e.f.02nd Jan, 2015)			

ZAHL B.V.
Notes to the Financial Statements

Note: 13 - Related Party Transactions-Continue:

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 [b & c]

Nature of Transactions

Value of the Transactions
Euro-Thousands INR-Thousands

Year ended March 31

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Finance:				
Loan Availed				
Zydus International Private Limited	85	75	5,704	6,182
Outstanding:				
Payable				
ZAHL Europe B.V.	-	15	-	1,236
Zydus International Private Limited	163	76	10,936	6,265
	163	91	10,936	7,501
Receivable				
ZAHL Europe B.V.	12	-	805	-
b Details relating to parties referred to in items 13 - A [d]				
Purchase:				
Services From Orangefield (Netherlands) B.V	15	23	1,154	1,890
Services From SGG Management (Netherlands) B.V.	13	-	1,023	-
Outstanding:				
Payable to Orangefield (Netherlands) B.V	9	15	583	1,251
Payable to SGG Management (Netherlands) B.V.	13	-	886	-

C There are no transactions with the related parties referred to in item no. 13 A [a]

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