

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZYDUS DISCOVERY DMCC,

We have audited the accompanying financial statements of **ZYDUS DISCOVERY DMCC**, ("the Company") which comprise the Balance Sheet as at 31st 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. Dubai. 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 Dubai in accordance with the auditing standards prevalent in Dubai.

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 Dubai:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st 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 of the Company are duly audited and certified by the Company's Statutory Auditors viz Rao & Ross, Dubai, in accordance with the accounting and auditing standards generally accepted and prevalent in Dubai. 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 Dubai.

- (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: 29th June, 2015

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

Zydus Discovery DMCC
Balance Sheet as at March 31, 2015

Particulars	Note No.	USD-Thousands	INR-Thousands
		As at March 31, 2015	
EQUITY AND LIABILITIES:			
Shareholders' Funds:			
Share Capital	1	8,014	501,115
Reserves and Surplus	2	(166)	(10,386)
		7,848	490,729
Non-Current Liabilities:			
Long Term Borrowings	3	8,736	546,262
Long Term Provisions	4	1	63
		8,737	546,325
Current Liabilities:			
Trade Payables	5	533	33,328
Other Current Liabilities	6	55	3,439
		588	36,767
Total		17,173	1,073,821
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	7	457	28,568
Intangible Assets		16,600	1,037,998
		17,057	1,066,566
Long Term Loans and Advances	8	2	126
		17,059	1,066,692
Current Assets:			
Cash and Bank Balances	9	111	6,941
Short Term Loans and Advances	10	2	125
Other Current Assets	11	1	63
		114	7,129
Total		17,173	1,073,821
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 19		
Statement of Profit and Loss for the period ended March 31, 2015			
Particulars	Note No.	USD-Thousands	INR-Thousands
		For the Period from June 15, 2014 to March 31, 2015	
REVENUE:			
Non Operating Revenue		-	-
Total Revenue		-	-
EXPENSES:			
Employee Benefits Expense	12	64	3,916
Finance Costs	13	38	2,325
Depreciation, Impairment and Amortisation expenses	7	7	446
Other Expenses	14	57	3,487
Total Expenses		166	10,174
Loss before Tax		(166)	(10,174)
Less : Tax Expenses		-	-
Loss for the year		(166)	(10,174)
Basic & Diluted Earning per Share [EPS]	15	(27.64)	(1,697.88)
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 19		
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: June 29, 2015		Director	

ZyduS Discovery DMCC**I-Company overview:**

ZyduS Discovery DMCC [the Company] is formed as a company with Limited Liability and under the provisions of law no. (4) of 2001 in respect of establishing Dubai Multi Commodities Center [DMCC] – Dubai [U.A.E] vide registration no. DMCC 00001, with Limited Liability. The company is engaged in the business of Pharmaceutical Research, Marketing Management and Studies and Trading in pharmaceutical products [outside UAE] [DMCC] vide License no. DMCC-061719 and DMCC-061720.

II-Significant Accounting Policies:**1 Basis of Accounting:**

The financial statements of the Company are prepared under the historical cost convention on the "Accrual Concept" of accountancy in accordance with the accounting principles generally accepted in India.

The financial statements have been prepared and presented for the period starting from 15th June 2014 and ending on 31st March 2015, without comparative information of previous year, as this year being the first year of operations of the company.

2 Reporting Currency Translation:

Reporting currency of the Company is "USD". 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 "USD" 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.

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

Foreign currency transactions are recorded in USD at the approximate rate of exchange prevailing on the date of transactions. Foreign currency balances of monetary assets and liabilities are translated to USD at the rate of exchange prevailing at the date of the reporting date. Gains or losses on exchange are recognised in statement of profit and loss.

4 Fixed Assets and Depreciation:

a Fixed Assets are stated at historical cost less accumulated depreciation and impairment loss.

b Cost of each asset is depreciated over the estimated useful lives on straight line method, based on useful lives as below:

Assets	Useful life
Office Premises	60 Years
Furniture and Fixtures	10 Years
Office Equipment	5 Years
Permanent Fixtures	30 Years
Computer and Laptop	3 Years
Servers and Networks	6 Years

c Tangible fixed assets are depreciated over the estimated useful life which is periodically reviewed to ensure that the method and the period of depreciation are consistent with the expected pattern of economic benefit. Residual value of tangible assets is estimated to be 5% of acquisition cost by the management.

d Repairs and renewals are recognised in profit or loss when the expenditure is incurred.

5 Impairment:

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment loss is recognised in statement of profit and loss.

6 Employee benefits:

Provision is made for end of service benefits (gratuity) payable to employees in accordance with company regulations and are in line with UAE Laws. Provision is made for the estimated liability for annual leave and passage entitlement as a result of services rendered by employees up to the reporting date.

7 Borrowing Cost:

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

8 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.

Zydus Discovery DMCC		
Notes to the Financial Statements		
	USD-Thousands	INR-Thousands
	As at March 31, 2015	
Note: 1-Share Capital:		
Authorised:		
29,410 Shares of AED 1000/- each	8,014	501,115
	8,014	501,115
Issued, Subscribed and Paid-up:		
29,410 Shares of AED 1000/- each, 100% held by Zydus Worldwide DMCC [ZWD]	8,014	501,115
	8,014	501,115
A The reconciliation of the number of Shares outstanding is as under:		
Number of shares at the beginning	-	
Add: Shares issued during the period	29,410	
Number of shares at the end	29,410	
B The Company has only Ordinary shares. All ordinary shares rank parri passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the Ordinary shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.		
C Ordinary shares of AED 1000/- each, fully paid held by Holding Company, Zydus Worldwide DMCC, a company incorporated in Dubai, which is wholly owned subsidiary of Cadila Healthcare Ltd., a company incorporated in India:		
Number of Shares	29,410	
% to total share holding	100%	
Note: 2-Reserves and Surplus:		
Foreign Currency Translation Reserve:		
Balance as per last Balance Sheet	-	-
Add/ [Less]: Exchange differences on translation to Indian Rupee	-	(212)
	-	(212)
Surplus in statement of Profit and Loss:		
Balance as per last Balance Sheet	-	-
Less: (Loss) for the period	(166)	(10,174)
Balance as at the end of year	(166)	(10,174)
Total	(166)	(10,386)
Note: 3-Long Term Borrowings:		
Unsecured Loans [from related parties]	8,736	546,262
Total	8,736	546,262
Note: 4-Long Term Provisions:		
Provision for Employee Benefits	1	63
Total	1	63
Note: 5-Trade Payables:		
Trade Payables	533	33,328
Total	533	33,328
Note: 6-Other Current Liabilities:		
Provision for Expenses	55	3,439
Total	55	3,439

Zyduz Discovery DMCC						
Notes to the Financial Statements						
Note: 7-Fixed Assets:						
	Tangible Assets					Intangible Assets
	Office Premises	Furnitures, Fixtures	Office Equipment	Computers and Networks	Total	Licenses
	USD-Thousands					
Gross Block:					-	-
As at March 31, 2014					-	-
Additions	417	34	11	2	464	16,600
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	417	34	11	2	464	16,600
Depreciation and Impairment:					-	-
As at March 31, 2014					-	-
Additions	5	1	1	0	7	-
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	5	1	1	0	7	-
Net Block:					-	-
As at March 31, 2014	-	-	-	-	-	-
As at March 31, 2015	412	33	10	2	457	16,600
	INR Thousands					
Gross Block:					-	-
As at March 31, 2014					-	-
Additions	26,075	2,126	688	125	29,014	1,037,998
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	26,075	2,126	688	125	29,014	1,037,998
Depreciation and Impairment:					-	-
As at March 31, 2014					-	-
Additions	306	61	61	18	446	0
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	306	61	61	18	446	0
Net Block:					-	-
As at March 31, 2014					-	-
As at March 31, 2015	25,769	2,065	627	107	28,568	1,037,998
					USD-Thousands	INR-Thousands
					As at March 31, 2015	
Note : 8 - Long Term Loans and Advances:						
[Unsecured, Considered Good]						
					1	63
					1	63
Total					2	126
Note: 9 - Cash and Bank Balances:						
					110	6,878
					1	63
Total					111	6,941
Note : 10 - Short Term Loans and Advances :						
[Unsecured, Considered Good]						
					2	125
					-	-
Total					2	125
Note: 11-Other Current Assets:						
					1	63
Total					1	63
Note: 12-Contingent Liabilities and commitments [to the extent not provided for]:						
					NIL	NIL
Commitments:					NIL	NIL
a Estimated amount of contracts remaining to be executed on capital account and not provided for					NIL	NIL

Zydus Discovery DMCC			
Notes to the Financial Statements			
		For the Period from June 15,2014 to March 31, 2015	
Note: 13-Employees Benefit Expense :			
Salaries and Wages		63	3,855
Gratuity		1	61
Total		64	3,916
Note: 14- Finance Cost:			
Interest on term loan		37	2,264
Bank Commission & Charges		1	61
Total		38	2,325
Note: 15-Other Expenses:			
Travelling expenses		1	61
Electricity Exps.		1	61
Registration expenses		4	245
Visa Expenses		3	184
Legal and Professional Fees		1	61
Fees for Incorporation		18	1,101
Net Loss on foreign currency transactions and translation		16	979
Service charges - Maintenance charges		6	367
Miscellaneous Expenses [*]		7	428
Total		57	3,487
[*] Miscellaneous Expenses include Payment to the auditors as audit fees			
		2	122
Note: 16 -Calculation of Earnings per Share [EPS]:			
The numerators and denominators used to calculate the basic and diluted EPS are:			
A Loss attributable to Shareholders	Thousands	(166)	(10,174)
B Basic and weighted average number of shares outstanding during period	Numbers	5,992	5,992
C Nominal value of share	AED	1,000	1,000
		USD	INR
D Basic & Diluted EPS		(27.64)	(1,697.88)
Note: 17 -Related Party Transactions:			
A Name of the Related Parties and Nature of the Related Party Relationship:			
a Holding Company:			
Zydus Worldwide DMCC			
b Holding Company of Holding Company:			
Cadila Healthcare Limited			
c Fellow Subsidiaries/ Concerns:			
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 France, SAS [France]		
Zydus BSV Pharma Private Limited	Zydus Nikkho Farmaceutica Ltda. [Brazil]		
M/s. Zydus Healthcare, a Partnership Firm	Zydus Pharma Japan Co. Ltd. [Japan]		
Zydus Lanka (Private) Limited [Sri Lanka]	Laboratorios Combix S.L. [Spain]		
Zydus International Private Limited [Ireland]	Zydus Pharmaceuticals Mexico SA De CV [Mexico]		
Zydus Netherlands B.V. [the Netherlands]	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]		
ZAHL B.V. [the Netherlands]	Etna Biotech S.R.L. [Italy]		
ZAHL Europe B.V. [the Netherlands]	Zydus Healthcare Philippines Inc. [Philippines]		
Bremer Pharma GmbH [Germany]			
d Directors:			
Mr. Mukul Jain	Director [Ceased to be director w.e.f 31/03/2015]		
Mr. Rajendra Jani	Director [Ceased to be director w.e.f 31/03/2015]		
Mr. Vimal Sanghavi	Director [Appointed as director on 15/02/2015]		
Mr. Pradeep Agnihotri	Independent Director [Appointed as director on 15/02/2015]		
Mr. Jignesh Bhatt	Director [Appointed as director on 15/02/2015]		

Zydu Discovery DMCC

Notes to the Financial Statements

Note: 17 -Related Party Transactions - [Continued]:

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 Note 19-A [a & b]

Nature of Transactions

	USD-Thousands			INR-Thousands		
	Year ended March 31, 2015					
	Holding Co. of Holding Co.	Holding Co.	Fellow Subs.	Holding Co. of Holding Co.	Holding Co.	Fellow Subs.
Fixed Assets:						
Cadila Healthcare Limited	16,600			1,037,998		
Reimbursement of Expenses Recovered:						
Zydu Worldwide DMCC		488			29,861	
Rent Expenses:						
Zydu Worldwide DMCC		4			245	
Subscription to Share Capital :						
Zydu Worldwide DMCC		8,014			501,115	
Finance:						
Inter Corporate Loans received:						
Zydu International Pvt. Ltd.			8,600		-	537,758
Zydu Worldwide DMCC		136			8,504	
Interest on Loan received:						
Zydu International Pvt. Ltd.			36			2,203
Zydu Worldwide DMCC		1			61	
Outstanding:						
Loan Outstanding:						
Zydu International Pvt. Ltd.			8,600			537,758
Zydu Worldwide DMCC		136			8,504	
Payable:						
Zydu International Pvt. Ltd.			36			2,251
Zydu Worldwide DMCC		493			30,827	

b There were no transactions with parties referred to in items 19- A [c] & [d].

Note: 18-Segment Information:

The information on segment is not applicable as there are no revenue from operations.

Note: 19-Previous Year figures:

Previous year numbers are not applicable, since this is the first reporting period.

Signatures to Significant Accounting Policies and Notes 1 to 19 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: June 29, 2015

Director