

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZYDUS LANKA (PRIVATE) LIMITED,**

We have audited the accompanying financial statements of **ZYDUS LANKA (PRIVATE) LIMITED**, ("the Company") which comprise the Balance Sheet as at 31<sup>st</sup> 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. Lanka. 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 Lanka in accordance with the auditing standards prevalent in Lanka.

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 Lanka:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> 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 of the Company are duly audited and certified by the Company's Statutory Auditors viz Kreston MNS & Co, Lanka, in accordance with the accounting and auditing standards generally accepted and prevalent in Lanka. The audited accounts have been forwarded to us for our review and have been appropriately dealt with 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, 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 Lanka.
- (v) On the basis of the written representations received from the directors as on 31st December, 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31st December, 2014 from being appointed as a director in terms of section 164(2) of the Act.
- (vi) 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

**ZYDUS LANKA (PRIVATE) LIMITED**  
**Balance Sheet as at March 31, 2015**

Particulars	Note No.	LKR-Thousands		INR-Thousands	
		As at March 31,			
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	1,000	1,000	490	480
Reserves and Surplus	2	(783)	(545)	(384)	(262)
		217	455	106	218
<b>Current Liabilities:</b>					
Other Current Liabilities	3	43	43	21	21
<b>Total</b>		260	498	127	239
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Long Term Loans and Advances	4	15	15	7	7
<b>Current Assets:</b>					
Cash and Bank Balances	5	216	454	106	218
Other Current Assets	6	29	29	14	14
		245	483	120	232
<b>Total</b>		260	498	127	239
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 16				

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

Particulars	Note No.	LKR-Thousands		INR-Thousands	
		Year ended March 31,			
		2015	2014	2015	2014
<b>EXPENSES:</b>					
Finance Costs	9	1	3	-	1
Other Expenses	10	237	316	111	159
Total Expenses		238	319	111	160
<b>Loss for the year</b>		(238)	(319)	(111)	(160)
<b>Basic &amp; Diluted Earning per Share [EPS]</b>	13	(2.38)	(3.19)	(1.11)	(1.60)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 16				

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

**ZYDUS LANKA (PRIVATE) LIMITED****I-Company overview:**

Zydus Lanka (Private) Limited [the Company] was incorporated on April 11, 2011. The Company's registered office is situated at Level 26 and 34, East Tower, World Trade Centre, Echelon Square, Colombo - 01, Sri Lanka. The Company is formed with an object of distribution and selling of pharmaceutical products in Sri Lanka. The company has not started its commercial operations during the year.

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

The Financial Statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards for Small & Medium sized Entities[SLFRS for SMEs]. Where appropriate, the policies and any changes thereto are explained in the succeeding notes.

**2 Statement of Compliance:**

The Financial Statements have been prepared in accordance with the SLFRS for SMEs issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.

**3 Reporting Currency Translation:**

The Local accounts are maintained in local and functional currency which is "Sri Lankan Rupee". 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 "Sri Lankan Rupee" 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.

**4 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 dates of transactions.

**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 Sri Lankan Rupee at the rates of exchange ruling at the balance sheet date

**5 Post Balance Sheet Events**

All material events occurring after the Balance Sheet date have been considered and where necessary adjustments to or disclosure have been made in the Financial Statements.

**6 Income Tax**

Income Tax has been computed in accordance with the Provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

**7 Liabilities and Provisions**

All known liabilities have been provided in preparing the Financial Statements.

**8 Provision for Retiring Gratuity**

No provision has been made for Retiring Gratuity since there are no permanent employees.

**9 Provisions, Contingent Assets and Contingent Liabilities**

Provisions are made for all obligations existing as at the Balance Sheet date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

**10 Expenditure**

**A** All expenditure incurred on running of the business and for maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year.

**ZYDUS LANKA (PRIVATE) LIMITED**

**Notes to the Financial Statements**

	LKR-Thousands		INR-Thousands	
	As at March 31,			
	2015	2014	2015	2014
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
100,000 Ordinary shares [as at March 31, 2014: 100,000] of LKR 10/- each	1,000	1,000	490	480
	1,000	1,000	490	480
<b>Issued, Subscribed and Paid-up:</b>				
100,000 Ordinary shares [as at March 31, 2014: 100,000] of LKR 10/- each, fully paid up	1,000	1,000	490	480
	1,000	1,000	490	480
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 the year	100,000	100,000		
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 shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Ordinary shares of LKR 10/- each, fully paid held by Holding Company, Cadila Healthcare Limited, a company incorporated in India: Number of Shares % to total share holding	100,000 100%	100,000 100%		
<b>Note: 2-Reserves and Surplus:</b>				
<b>Foreign Currency Translation Reserve: [*]</b>				
Balance as per last Balance Sheet			-	-
Add/ [Less]: Exchange differences on translation to Indian Rupee			(11)	-
	-	-	(11)	-
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(545)	(226)	(262)	(102)
Add: [Loss] for the year	(238)	(319)	(111)	(160)
Balance as at the end of year	(783)	(545)	(373)	(262)
<b>Total</b>	(783)	(545)	(384)	(262)
[*] 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 lower by INR 11 thousands, with a corresponding effect in "Reserves and Surplus".				
<b>Note: 3-Other Current Liabilities:</b>				
Provision for Expenses	43	43	21	21
<b>Total</b>	43	43	21	21
<b>Note: 4-Long Term Loans and Advances:</b>				
Others :				
Security Deposits - Rent	15	15	7	7
<b>Total</b>	15	15	7	7
<b>Note: 5-Cash and Bank Balances:</b>				
Balance with Bank	216	454	106	218
<b>Total</b>	216	454	106	218
<b>Note : 6 - Other Current Assets :</b>				
Prepaid Expenses	29	29	14	14
<b>Total</b>	29	29	14	14
<b>Note: 7-Contingent Liabilities:</b>				
There were no material contingent liabilities outstanding as at the date of the Balance Sheet.				
<b>Note: 8-Capital Commitments:</b>				
There were no capital expenditure commitments approved as at 31st March, 2015 in respect of the Company.				
	LKR-Thousands		INR-Thousands	
	Year ended March 31,			
	2015	2014	2015	2014
<b>Note: 9-Finance Cost:</b>				
Bank Commission & charges	1	3	-	1
<b>Total</b>	1	3	-	1
<b>Note: 10-Other Expenses:</b>				
Legal and Professional Fees	126	224	59	108
Rent	68	43	32	21
Exchange Rate difference due to translation [Refer Note - 2 *]			-	6
Miscellaneous Expenses [*]	43	49	20	24
<b>Total</b>	237	316	111	159
[*] Miscellaneous Expenses include Payment to the auditors				
i As Auditor	34	34	16	16
ii For taxation matters	9	9	4	4

**ZYDUS LANKA (PRIVATE) LIMITED**

**Notes to the Financial Statements**

**Note: 11-Taxation:**

- A** The Company is liable to income tax at 28% on the taxable Income.
- B** However no provision for income tax has been made for the year since there is no taxable income.
- C** There exists a temporary difference between the book income and tax income because of carried forward losses as per income tax. However the related deferred tax asset has not been recognised since commercial operations have not commenced and recoverability of same is uncertain at this stage.

**Note: 12-Events after the Balance Sheet date:**

There has been no material event occurring after the Balance Sheet date that requires adjustment to or disclosure in the Financial Statements.

	LKR-Thousands		INR-Thousands	
	As at March 31,			
	2015	2014	2015	2014
<b>Note: 13-Calculation of Earnings per Share [EPS]:</b>				
The numerators and denominators used to calculate the basic and diluted EPS are:				
A Loss attributable to Shareholders	(238)	(319)	(111)	(160)
B Basic and Weighted average number of shares outstanding during period	100,000	100,000	100,000	100,000
	LKR		INR	
C Nominal value of share	10	10	(1.11)	(1.60)
D Basic & Diluted EPS	(2.38)	(3.19)	(1.11)	(1.60)

**Note: 14-Related Party Transactions:**

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

**a Holding Company:**

Cadila Healthcare Limited

**b Fellow Subsidiaries/ Concerns:**

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

**c Directors:**

Mr. Ashok Bhatia	Mr. Manubhai K. Patel (ceased to be director from 05th Aug, 2014)
Mr. Tushar Shroff (appointed as director w.e.f. 23rd Jun, 2014)	

**B Transactions with Related Parties:**

- a There are no transactions with related parties during current and previous year.

**Note: 15-Segment Information:**

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

**Note: 16-Previous Year figures:**

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 16 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