

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **ZYDUS WORLDWIDE DMCC**, ("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

The Company's Board of Director 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. 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;
- (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 Rao & Ross, Chartered Accountants, Dubai, in accordance with the accounting and auditing standards generally accepted and prevalent in Dubai. 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 Dubai.
- (i) 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 Worldwide 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	10,014	626,175
Reserves and Surplus	2	(235)	(14,679)
		9,779	611,496
Non-Current Liabilities:			
Long Term Borrowings	3	3,291	205,786
Long Term Provisions	4	5	313
		3,296	206,099
Current Liabilities:			
Trade Payables	5	71	4,440
Other Current Liabilities	6	19	1,188
		90	5,628
Total		13,165	823,223
ASSETS:			
Non-Current Assets:			
Fixed Assets:			
Tangible Assets	7	1,246	77,946
Intangible Assets		3	169
Capital Work In Progress		355	22,198
		1,604	100,313
Non-Current Investments	8	8,014	501,115
Other Non-Current Assets	9	634	39,644
		10,252	641,072
Current Assets:			
Cash and Bank Balances	10	2,880	180,087
Short Term Loans and Advances	11	21	1,314
Other Current Assets	12	12	750
		2,913	182,151
Total		13,165	823,223
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 21		

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

Particulars	Note No.	USD-Thousands	INR-Thousands
		For the Period from April 21, 2014 to March 31, 2015	
REVENUE:			
Non Operating Revenue	14	5	306
Total Revenue		5	306
EXPENSES:			
Employee Benefits Expense	15	74	4,528
Finance Costs	16	69	4,222
Depreciation, Impairment and Amortisation expenses	7	15	923
Other Expenses	17	82	5,018
Total Expenses		240	14,691
Loss before Tax		(235)	(14,385)
Less : Tax Expenses		-	-
Loss for the year		(235)	(14,385)
Basic & Diluted Earning per Share [EPS]	18	(26.30)	(1,611.40)
Significant Accounting Policies	II		
Notes to the Financial Statements	1 to 21		

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 Worldwide DMCC**I-Company overview:**

ZyduS Worldwide DMCC 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. DMCC5173, with Limited Liability. The company is licensed to perform activities such as - Pharmaceutical researches and studies, Marketing Management, Trading in pharmaceutical products (outside UAE), Investment in commercial enterprise and management, as per the licenses granted by DMCC vide License No. DMCC – 34079, 34080, 34081, 34082.

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

The financial statements of ZyduS Worldwide DMCC 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 21st April 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:

The Local accounts are maintained in "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
Buildings	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
Software	5 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 Investments:

Long term and strategic investments are stated at cost, less any diminution in the value other than temporary.

7 Product Development:

Product development costs are recorded as capital work in progress until product registrations [marketing authorisations] are obtained.

8 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.

9 Revenue Recognition:

Interest income is recognised on time proportionate method.

10 Borrowing Cost:

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

11 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 Worldwide DMCC		
Notes to the Financial Statements		
	USD-Thousands	INR-Thousands
	As at March 31, 2015	
Note: 1-Share Capital:		
Authorised:		
36,750 Shares of AED 1000/- each	10,014	626,175
	10,014	626,175
Issued, Subscribed and Paid-up:		
36,750 Shares of AED 1000/- each, 100% held by Cadila Healthcare Ltd.	10,014	626,175
	10,014	626,175
A The reconciliation of the number of Shares outstanding is as under:		
Number of shares at the beginning	-	
Add: Shares issued during the period	36,750	
Number of shares at the end	36,750	
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, Cadila Healthcare Limited [CHL], a company incorporated in India:		
Number of Shares	36,750	
% 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	-	(294)
	-	(294)
Surplus in statement of Profit and Loss:		
Balance as per last Balance Sheet	-	-
Less: (Loss) for the period	(235)	(14,385)
Balance as at the end of year	(235)	(14,385)
Total	(235)	(14,679)
Note: 3-Long Term Borrowings:		
Unsecured Loan [from CHL, holding Company]	3,291	205,786
Total	3,291	205,786
Note: 4-Long Term Provisions:		
Provision for Employee Benefits	5	313
Total	5	313
Note: 5-Trade Payables:		
Trade Payables	71	4,440
Total	71	4,440
Note: 6-Other Current Liabilities:		
Provision for Expenses	19	1,188
Total	19	1,188

Zydus Worldwide DMCC						
Notes to the Financial Statements						
Note: 7-Fixed Assets:						
	Tangible Assets					Intangible Assets
	Buildings	Furnitures, Fixtures	Office Equipments	Computers and Networks	Total	Software
	USD-Thousands					
Gross Block:						
As at March 31, 2014					-	-
Additions	1,205	30	12	14	1,261	3
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	1,205	30	12	14	1,261	3
Depreciation and Impairment:						
As at March 31, 2014					-	-
Additions	13	0	1	0	15	0
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	13	0	1	0	15	0
Net Block:						
As at March 31, 2014	-	-	-	-	-	-
As at March 31, 2015	1,192	30	11	14	1,246	3
	INR Thousands					
Gross Block:						
As at March 31, 2014					-	-
Additions	75,349	1,876	750	875	78,850	188
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	75,349	1,876	750	875	78,850	188
Depreciation and Impairment:						
As at March 31, 2014					-	-
Additions	795	30	61	18	904	19
Disposals					-	-
Other adjustments					-	-
As at March 31, 2015	795	30	61	18	904	19
Net Block:						
As at March 31, 2014					-	-
As at March 31, 2015	74,554	1,846	689	857	77,946	169
					USD-Thousands	INR-Thousands
					As at March 31, 2015	
Note : 8 - Non Current Investments:						
Non-Current Investments - [Investment in 100% Subsidiary Zydus Discovery DMCC, 29,410 shares of AED 1,000 each]					8,014	501,115
Total					8,014	501,115
Note : 9 - Long Term Loans and Advances:						
[Unsecured, Considered Good]						
Security Deposits					3	188
Loans and Advances to related party [to 100% subsidiary Zydus Discovery DMCCC]					629	39,331
Other Long term advances					2	125
Total					634	39,644
Note: 10 - Cash and Bank Balances:						
Balance with Bank					2,877	179,899
Cash on Hand					3	188
Total					2,880	180,087
Note : 11 - Short Term Loans and Advances :						
[Unsecured, Considered Good]						
Balances with Statutory authorities					18	1,126
Advances recoverable in cash or in kind or for value to be received					3	188
Total					21	1,314
Note: 12-Other Current Assets:						
Prepaid Expenses					12	750
Total					12	750
Note: 13-Contingent Liabilities and commitments [to the extent not provided for]:						
Contingent Liabilities					NIL	NIL
Commitments:						
a Estimated amount of contracts remaining to be executed on capital account and not provided for					1	63

Zydus Worldwide DMCC			
Notes to the Financial Statements			
		For the Period from April 21, 2014 to March 31, 2015	
Note: 14-Other Income:			
Rental income		4	245
Interest Income		1	61
Total		5	306
Note: 15-Employees Benefit Expense :			
Salaries and Wages		72	4,406
Gratuity		2	122
Total		74	4,528
Note: 16- Finance Cost:			
Interest on term loan		67	4,100
Bank Commission & Charges		2	122
Total		69	4,222
Note: 17-Other Expenses:			
Travelling expenses		3	184
Electricity Exps.		1	61
Insurance Exps.		1	61
Repairs and Maintainance		1	61
Communication Exps		3	184
Registration expenses		6	367
Visa Expenses		7	428
Legal and Professional Fees		8	490
Fees for Incorporation		24	1,469
Net Loss on foreign currency transactions and translation		2	122
Service charges - Maintenance charges		10	612
Miscellaneous Expenses [*]		16	979
Total		82	5,018
[*] Miscellaneous Expenses include Payment to the auditors as audit fees		2	122
Note: 18 -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	(235)	(14,385)
B Basic and weighted average number of shares outstanding during period	Numbers	8,927	8,927
C Nominal value of share	AED	1,000	1,000
		USD	INR
D Basic & Diluted EPS		(26.30)	(1,611.40)
Note: 19 -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/ concerns:			
Zydus Discovery DMCC [100% Subsidiary]			
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 Noveltech 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. Ganesh Narayan Nayak	Director [Ceased to be director w.e.f 31/03/2015]		
Mr. Ashok Bhatia	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	Director [Appointed as director on 15/02/2015]		
Mr. Jignesh Bhatt	Director [Appointed as director on 15/02/2015]		

Zydus Worldwide DMCC

Notes to the Financial Statements

Note: 19 -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

Fixed Assets:

Cadila Healthcare Limited

Reimbursement of Expenses

Recovered:

Zydus Discovery DMCC

Rent Income:

Zydus Discovery DMCC

Investments:

Subscription to Share Capital :

Zydus Discovery DMCC

Finance:

Share Capital Subscription:

Cadila Healthcare Limited

Inter Corporate Loans given:

Zydus Discovery DMCC

Inter Corporate Loans received:

Cadila Healthcare Limited

Interest on Loan received:

Cadila Healthcare Limited

Interest on loan given:

Zydus Discovery DMCC

Outstanding:

Loan Outstanding:

Cadila Healthcare Limited

Payable:

Cadila Healthcare Limited

Receivable:

Zydus Discovery DMCC

USD-Thousands		INR-Thousands	
Year ended March 31, 2015			
Holding Co.	Subsidiary Co.	Holding Co.	Subsidiary Co.
0		14	
	488		29,861
	4		245
	8,014		501,115
10,014		626,175	
629		39,331	
3,291		205,786	
67		4,100	
	1		61
3,291		205,786	
46		2,876	
	629		39,331

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

Note: 20-Segment Information:

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

Note: 21-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 21 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