

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZYDUS HEALTHCARE PHILIPPINES INC,

We have audited the accompanying financial statements of **ZYDUS HEALTHCARE PHILIPPINES INC**, ("the Company") which comprise the Balance Sheet as at 31st December, 2014, 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. Philippines. 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 Philippines in accordance with the auditing standards prevalent in Philippines.

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 Philippines:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st December, 2014;
- (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 Punongbayan & Araullo, Philippines, in accordance with the accounting and auditing standards generally accepted and prevalent in Philippines. 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 philippines.
- (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: May 14, 2015

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

ZYDUS HEALTHCARE PHILIPPINES INC.
Balance Sheet as at December 31, 2014

Particulars	Note No.	PESO-Thousands		INR-Thousands	
		As at December 31,			
		2014	2013	2014	2013
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	9,876	8,000	14,123	10,880
Reserves and Surplus	2	(3,856)	(773)	(5,515)	(1,050)
		6,020	7,227	8,608	9,830
Current Liabilities:					
Trade Payables	3	84	367	120	499
Other Current Liabilities	4	2,318	506	3,315	688
		2,402	873	3,435	1,187
Total		8,422	8,100	12,043	11,017
ASSETS:					
Non-Current Assets:					
Fixed Assets:					
Tangible Assets	5	2,360	3,591	3,374	4,884
Other Non-Current Assets	6	2,142	2,120	3,063	2,883
Deferred Tax Assets [Net]		1,975	644	2,824	876
		6,477	6,355	9,261	8,643
Current Assets:					
Cash and Bank Balances	7	172	563	246	766
Short Term Loans and Advances	8	1,748	1,157	2,500	1,574
Other Current Assets	9	25	25	36	34
		1,945	1,745	2,782	2,374
Total		8,422	8,100	12,043	11,017
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 18				

Statement of Profit and Loss for the year ended December 31, 2014

Particulars	Note No.	PESO-Thousands		INR-Thousands	
		Year ended December 31			
		2014	2013	2014	2013
REVENUE:					
Non Operating Revenue	12	3,930	661	5,384	899
Total Revenue		3,930	661	5,384	899
EXPENSES:					
Employee Benefits Expense	13	380	-	520	-
Depreciation	5	1,231	103	1,686	140
Other Expenses	14	6,733	2,695	9,225	3,664
Total Expenses		8,344	2,798	11,431	3,804
Loss before Tax		(4,414)	(2,137)	(6,047)	(2,905)
Less : Tax Expense:					
Deferred Tax		(1,331)	(644)	(1,823)	(876)
		(1,331)	(644)	(1,823)	(876)
Loss for the year		(3,083)	(1,493)	(4,224)	(2,029)
				PESO	INR
Basic & Diluted Earning per Share [EPS]	15	(3.28)	(3.73)	(4.49)	(5.07)
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 18				

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 HEALTHCARE PHILIPPINES INC.**I-Company overview:**

Zydus Healthcare Philippines Inc. [the Company] was incorporated on July 12, 2013. The Company's registered office is situated at Unit 903 and 904, Eco Tower, 32nd Street corner, Ninth Avenue, Taguig City, Philippines. The company is formed mainly with an object of trading and distributing pharmaceutical products. As of December 31, 2014 the company has not yet started commercial operations. The company has started its commercial operations in February, 2015.

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

The Financial Statements have been prepared in accordance with Philippine Financial Reporting standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council from pronouncements issued by the International Accounting Standards Board.

2 Statement of Compliance:

The Financial Statements have been presented in accordance with Philippine Accounting Standard (PAS) 1. The company presents all items of income and expense and other comprehensive income in a single statement of comprehensive income.

3 Reporting Currency Translation:

The Local accounts are maintained in local and functional currency which is "Philippines Peso". 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 "Philippines Peso" 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 Use of Estimates:

The preparation of Financial Statements in accordance with the PFRS requires, the management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

5 Fixed Assets and Depreciation:

- a Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The cost of assets comprises its purchase price and directly attributable costs of bringing the assets to working condition for its intended use.
- b Depreciation and amortization is computed on the straight line basis over the estimated useful lives of the assets as follows:
Furniture and fixtures 3 years

6 Revenue Recognition:**a Rental Income**

Rental Income is recognized on a straight line basis over the term of the operating lease.

b Interest Income

Revenue is recognized as the interest accrues taking into account the effective yield on the assets.

7 Provisions and Contingencies:

Provisions are recognised when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidences available at end of the year, including the risk and uncertainties associated with present obligation.

8 Income Taxes:

Income Tax recognized in profit and loss comprises of deferred tax. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period. The carrying amount of deferred tax assets is reviewed at the end of each year and reduced to the extent that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

ZYDUS HEALTHCARE PHILIPPINES INC.

Notes to the Financial Statements

	PESO-Thousands		INR-Thousands	
	As at December 31,			
	2014	2013	2014	2013
Note: 1-Share Capital:				
Authorised:				
3,000,000 Common shares [as at December 31, 2013: 3,000,000] of PESO 10/- each	30,000	30,000	42,900	40,800
	30,000	30,000	42,900	40,800
Issued, Subscribed and Paid-up:				
987,637 [as at December 31, 2013 : 800,000] Common shares of PESO 10/- each, fully paid up	9,876	8,000	14,123	10,880
	9,876	8,000	14,123	10,880
A The reconciliation of the number of Shares outstanding is as under:				
Number of shares at the beginning	800,000	-		
Add: Shares issued during the period	187,637	800,000		
Number of shares at the end	987,637	800,000		
B The Company has only Common shares. All Common shares rank parri passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the common shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Common shares of PESO 10/- each, fully paid held by Holding Company, Cadila Healthcare Limited, a company incorporated in India:				
Number of Shares	987,637	800,000		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Additional Paid in Capital [*]	720	720	979	979
Foreign Currency Translation Reserve: [\$]				
Balance as per last Balance Sheet			-	-
Add/ [Less]: Exchange differences on translation to Indian Rupee			(240)	-
			(240)	-
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(1,493)	-	(2,030)	-
Add: (Loss) for the period	(3,083)	(1,493)	(4,224)	(2,029)
Balance as at the end of year	(4,576)	(1,493)	(6,254)	(2,029)
Total	(3,856)	(773)	(5,515)	(1,050)
[*] Additional paid-in capital represents premium received on the issuance of capital stock.				
[\$] 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 240 thousands, with a corresponding effect in "Reserves and Surplus".				
Note: 3-Trade Payables:				
Trade Payables	84	367	120	499
Total	84	367	120	499
Note: 4-Other Current Liabilities:				
Provision for Expenses	837	272	1,197	370
Payable to Statutory Authorities	33	87	47	118
Other payables	1,448	147	2,071	200
Total	2,318	506	3,315	688
Note: 5-Fixed Assets:				
Tangible Assets:			PESO	INR
Furniture and Fixtures			Thousands	Thousands
Gross Block:				
As at December 31, 2012			-	-
Additions			3,694	5,024
Disposals			-	-
Other adjustments			-	-
As at December 31, 2013			3,694	5,024
Additions			-	-
Disposals			-	-
Other adjustments			-	258
As at December 31, 2014			3,694	5,282
Depreciation and Impairment:				
As at December 31, 2012			-	-
Charge for the year			103	140
Disposals			-	-
Other adjustments			-	-
As at December 31, 2013			103	140
Charge for the year			1,231	1,686
Disposals			-	-
Other adjustments			-	82
As at December 31, 2014			1,334	1,908
Net Block:				
As at December 31, 2013			3,591	4,884
As at December 31, 2014			2,360	3,374

ZYDUS HEALTHCARE PHILIPPINES INC.				
Notes to the Financial Statements				
	PESO-Thousands		INR-Thousands	
	As at December 31,			
	2014	2013	2014	2013
Note : 6 - Long Term Loans and Advances :				
[Unsecured, Considered Good]				
Security Deposits	2,078	2,031	2,972	2,762
Others - Prepaid Rent	64	89	91	121
Total	2,142	2,120	3,063	2,883
Note: 7-Cash and Bank Balances:				
Balance with Bank	160	563	229	766
Cash on Hand	12	-	17	-
Total	172	563	246	766
Note : 8 - Short Term Loans and Advances :				
[Unsecured, Considered Good]				
Others :				
Balances with Statutory authorities	1,281	789	1,832	1,073
Advances to Suppliers	49	10	70	14
Advances recoverable in cash or in kind or for value to be received	418	358	598	487
Total	1,748	1,157	2,500	1,574
Note: 9-Other Current Assets:				
Prepaid Expenses	25	25	36	34
Total	25	25	36	34
Note: 10-Taxation				
a Deferred Tax Asset is reported by P 1975 ('000), the carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.				
b The Company is not subject to Minimum Corporate Tax (MCIT) until 2017 since the company was newly incorporated.				
Note: 11-Contingent Liabilities [to the extent not provided for]:				
Contingent Liabilities [to the extent not provided for]	Nil	Nil	Nil	Nil
	PESO-Thousands		INR-Thousands	
	Year ended December 31			
	2014	2013	2014	2013
Note: 12-Other Income:				
Rental income	3,906	651	5,351	885
Interest Income	24	10	33	14
Total	3,930	661	5,384	899
Note: 13-Employee Benefits Expense:				
Salaries and wages	371		508	-
Contribution to provident and other funds	9		12	-
Total	380	-	520	-
Note: 14-Other Expenses:				
Power & fuel	560		767	-
Rent	4,754	2,077	6,513	2,825
Repairs to Building	26	180	36	245
Insurance	10	10	14	14
Rates and Taxes	134	60	184	82
Traveling Expenses	60	-	82	-
Legal and Professional Fees	372	50	510	68
Net Loss on foreign currency transactions and translation		68	-	92
Miscellaneous Expenses	817	250	1,119	338
Total	6,733	2,695	9,225	3,664
[*] Miscellaneous Expenses include Payment to the auditors as audit fees	55	55	75	75
Note: 15 -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 (3,083)	(1,493)	Thousands (4,224)	(2,029)
B Basic and weighted average number of shares outstanding during period	Numbers 940,728	400,000	Numbers 940,728	400,000
	PESO		INR	
C Nominal value of share	10	10		
D Basic & Diluted EPS	(3.28)	(3.73)	(4.49)	(5.07)

ZYDUS HEALTHCARE PHILIPPINES INC.

Notes to the Financial Statements

Note: 16 -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	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 Worldwide DMCC [Dubai]
Bremer Pharma GmbH [Germany]	Zydus Discovery DMCC [Dubai]

c Directors:

Mr. Ashok Bhatia	Mr. Jyotindra Gor
Mr.Srinivas Chakaravarthy Maddali	Mr. Roberto Conception
Mr. George JG Ranjan Tanuku	

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 16-A [a]

Nature of Transactions

Shares Issued:

Cadila Healthcare Limited

Service Rendered

Cadila Healthcare Limited

Payable

Cadila Healthcare Limited

PESO-Thousands		INR-Thousands	
Year ended December 31			
2014	2013	2014	2013
1,876	8,000	3,243	10,880
3,906	651	5,351	885
As at December 31,			
1,448	147	2,071	200

b There are no transactions with parties referred to in items 16- A [b& c].

Note: 17-Segment Information:

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

Note: 18-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 18 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