

# Independent auditor's report

To Heunet Pharma GmbH

## Opinion

We have audited the enclosed balance sheet of Heunet Pharma GmbH (the Company) as at March 31, 2019, the enclosed income statement for the year then ended and the enclosed relevant notes including a summary of the accounting policies (together "the financial statement").

In our opinion, the financial statement of the Company for the year ended March 31, 2019 is prepared in all material respects, in accordance with the accounting policies.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statement in Germany, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and Those Charged with Governance for the Financial Statement

Management is responsible for the preparation of the financial statement in accordance with the accounting policies, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

This report was issued for information purposes to Heunet Pharma GmbH and must not be used in any other context than to inform its ultimate shareholder Torrent Pharmaceuticals Ltd. and to support the ultimate shareholder in fulfilling its filing requirements under the Indian Companies Act. This report must not, in particular, be handed out to third parties or included in sales prospectuses or similar public documents or media. "Third parties" in these regulations are not Torrent Pharmaceuticals Ltd., Ahmedabad, India, and the Indian Registrar of Companies.

We have provided the services described above on behalf of Heunet Pharma GmbH. We have carried out our engagement on the basis of the General Engagement Terms included in our engagement agreement dated as of January 1, 2017 (Appendix 2). By taking note of and using the information as contained in our report each recipient confirms to have taken note of the terms and conditions stipulated in the aforementioned General Engagement Terms (including the liability limitations specified in item No. 9 included therein) and acknowledges their validity in relation to us.

Nuremberg, April 26, 2019

KPMG AG  
Wirtschaftsprüfungsgesellschaft ]



Dr. Kelle  
Wirtschaftsprüfer  
[German Public Auditor]



Arndt  
Wirtschaftsprüfer  
[German Public Auditor]

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# Heunet Pharma GmbH, Nuremberg

## Nuremberg Local court No. HRA 25678

### Balance Sheet as at March 31, 2019

#### Assets

	3/31/2019		3/31/2018	
	EUR	EUR	EUR	EUR
<b>A. Current financial assets</b>				
<b>I. Inventories</b>				
1. Goods	6,955,596.15		10,685,783.37	
2. Prepayments	6,074,718.44	13,030,314.59	1,917,554.68	12,603,338.05
thereof against affiliated companies EUR 6,074,718.44 (prior year EUR 1,917,554.68)				
<b>I. Receivables and other assets</b>	7,434,241.98		6,545,670.50	
1. Receivables from other investees and investors	0.00		700,064.96	
2. Receivables from affiliates	4,062,929.13	11,497,171.11	3,623,182.33	10,868,917.79
3. Other assets				
<b>II. Cash at banks</b>		45,950,846.36		20,164,015.28
		<b>70,478,332.06</b>		<b>43,636,271.12</b>
<b>B. Prepaid expenses</b>		<b>296.78</b>		<b>2,676.89</b>
<b>C. Deferred tax</b>		<b>875,000.00</b>		<b>1,670,000.00</b>
		<b>71,353,628.84</b>		<b>45,308,948.01</b>

**Equity and liabilities**

	3/31/2019	3/31/2018
	EUR	EUR
<b>A. Equity</b>		
I. Subscribed capital	25,000.00	25,000.00
II. Profit carryforward/Loss carryforward	1,638,407.29	1,303,177.03
III. Net income for the year	2,273,191.30	335,230.26
	<b>3,936,598.59</b>	<b>1,663,407.29</b>
<b>B. Provisions</b>		
1. Tax provisions	1,393,539.00	1,632,084.00
2. Other provisions	56,795,477.69	34,874,056.63
	<b>58,189,016.69</b>	<b>36,506,140.63</b>
<b>C. Liabilities</b>		
1. Liabilities to other investees and investors	2,899,380.84	96,022.31
2. Liabilities to affiliates	6,304,996.20	7,016,699.07
3. Other Liabilities thereof for taxes EUR 152.61 (prior year EUR 1,033.98)	23,636.52	26,678.71
	<b>9,228,013.56</b>	<b>7,139,400.09</b>
	<b>71,353,628.84</b>	<b>45,308,948.01</b>



# Heunet Pharma GmbH, Nuremberg

## Income Statement for the period from April 01, 2018 to March 31, 2019

	2018/19		2017/18	
	EUR	EUR	EUR	EUR
1. Revenues		21,483,179.78		23,717,174.76
2. Other operating income		4,738,922.78		2,303,692.15
3. Cost of raw materials, consumables and supplies and of purchased merchandise		-15,328,083.54		-12,509,388.51
4. Personnel expenses				
a) Wages and salaries	-36,617.93		-19,208.12	
b) Social security, pension and other benefit costs	-6,685.95	-43,303.88	-3,262.21	-22,470.33
5. Other operating expenses		-7,762,778.99		-12,674,344.59
6. Other interest and similar income		61,027.81		36,807.37
thereof from affiliates EUR 37,081.97 (prior year EUR 64.96)				
7. Interest and similar expenses		0.00		-155.07
thereof to affiliates EUR 0.00 (prior year EUR 155.07)				
8. Income taxes		-876,112.00		-516,084.00
<b>9. Profit after income tax</b>		<b>2,272,851.96</b>		<b>335,231.78</b>
10. Other taxes		339.34		-1.52
<b>11. Net income for the year</b>		<b>2,273,191.30</b>		<b>335,230.26</b>





## **Heunet Pharma GmbH**

NOTES TO FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED MARCH 31, 2019

### **SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis for Preparation**

The Financial statements are prepared and presented using acquisition costs and on accrual basis of accounting in accordance with the generally accepted German accounting principles (GAAP/HGB). Except as otherwise stated, accounting policies are consistently applied.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP/HGB requires management to make assumptions and estimates, which it believes are reasonable under the circumstances that affect the reported amounts of assets, liabilities and contingent liabilities, if any, on the date of financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Difference between the actual results and estimates are recognized in the period in which the results are known or materialize.

#### **Trade Accounts Receivables**

Trade receivables are stated at their nominal amount. Provision for doubtful accounts is determined & is provided by the Management through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual accounts.

#### **Inventory**

Inventories consist of finished goods and traded goods.

Costs of inventories are initially determined on a moving average basis, these costs are adjusted to reflect the lower of cost, net realizable value or lower purchase price. Provision for impairment is made when there is high uncertainty in saleability of a product.

#### **Revenue Recognition**

- (a) Revenue from sale of goods is recognized when significant risks and rewards in respect of ownership of goods are transferred to customers. Provision/accrual for sales returns, discounts, rebates to the healthcare companies are estimated & provided for in the year of sales & are recorded as reduction from revenue. The exact methodology & assumptions used to estimate rebates, discounts & returns are monitored & adjusted regularly to reflect the actual current situation and contracts.
- (b) Revenue from other income is recognized when reasonable certainty as to its realization exists.
- (c) Interest Income from deposit is recognized at the completion of deposit term.

- (d) As per German GAAP/HGB, income/expense from previous years are recognized as other income/expense previous year.

#### **Foreign Currency Transactions and Translation**

Transactions in currencies other than the Euro are recorded at the median rates of exchange published on the dates of the transactions. At the end of each reporting period, monetary current assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the reporting date. The resultant gains and losses arising on translation are included in profit or loss for the period.

#### **Taxes**

Corporate tax and trade tax is accounted on the basis of estimated taxable income for the current accounting year and in accordance with the local tax laws. Deferred tax resulting from the timing differences between accounting and taxable profit for the period is accounted by using tax rates and laws that have been enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that asset can be realized in the future.

#### **Provisions, Contingent Liabilities and Contingent Asset**

Provisions involving a substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Liabilities which are of a contingent nature if any are not provided for but are disclosed at their estimated amount in the notes forming part of accounts.

#### **Interest and similar expense**

Interest and similar expense includes interest expense for the borrowings and changes in interest rate regarding the pension liability.

Appendix 2  
General Engagement  
Terms



# General Engagement Terms

## for

### Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften

#### [German Public Auditors and Public Audit Firms]

#### as of January 1, 2017

#### 1. Scope of application

(1) These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

(2) Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

#### 2. Scope and execution of the engagement

(1) Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

(2) Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

(3) If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

#### 3. The obligations of the engaging party to cooperate

(1) The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

(2) Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

#### 4. Ensuring independence

(1) The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

(2) Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

#### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

#### 6. Distribution of a German Public Auditor's professional statement

(1) The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

(2) The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

#### 7. Deficiency rectification

(1) In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

(2) The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [Translators Note: *The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

(3) Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

#### 8. Confidentiality towards third parties, and data protection

(1) Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of *Wirtschaftsprüfer*: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

(2) When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

#### 9. Liability

(1) For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

(2) Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

(3) The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

(4) When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

(5) An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

(6) A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

(1) If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

(2) If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

(3) The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

(1) When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

(2) The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

(3) Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

- a) preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party
- b) examination of tax assessments in relation to the taxes referred to in (a)
- c) negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)
- d) support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)
- e) participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

(4) If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

(5) Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

(6) Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

- a) work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax;
- b) support and representation in proceedings before tax and administrative courts and in criminal tax matters;
- c) advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and
- d) support in complying with disclosure and documentation obligations.

(7) To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

(1) In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

(2) If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.