

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF ZYDUS NIKKHO FARMACEUTICA LTDA.,**

We have audited the accompanying financial statements of **ZYDUS NIKKHO FARMACEUTICA LTDA.**, ("the Company") which comprise the Balance Sheet as at 31<sup>st</sup> December, 2014 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. Brazil. 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 Brazil in accordance with the auditing standards prevalent in Brazil.

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 Brazil:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> December, 2014; 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 Partner Auditors Independentes S.S., Brazil, in accordance with the accounting and auditing standards generally accepted and prevalent in Brazil. 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 Brazil.

- (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

Place: Ahmedabad

Date: 14<sup>th</sup> May, 2015

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

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Balance Sheet as at December 31, 2014**

Particulars	Note No.	BRL-Thousands		INR-Thousands	
		As at December 31			
		2014	2013	2014	2013
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	118,757	87,198	2,820,479	2,312,491
Reserves and Surplus	2	(47,246)	(46,456)	(1,122,091)	(1,232,015)
		71,511	40,742	1,698,388	1,080,476
<b>Non-Current Liabilities:</b>					
Long Term Borrowings	3	-	2,250	-	59,670
Other Long Term Liabilities	4	8,589	7,413	203,989	196,593
Long Term Provisions	5	10,858	8,685	257,878	230,326
		19,447	18,348	461,867	486,589
<b>Current Liabilities:</b>					
Short Term Borrowings	6	-	31,624	-	838,669
Trade Payables	7	5,576	5,512	132,430	146,178
Other Current Liabilities	8	6,094	5,727	144,733	151,880
		11,670	42,863	277,163	1,136,727
<b>Total</b>		<b>102,628</b>	<b>101,953</b>	<b>2,437,418</b>	<b>2,703,792</b>
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Fixed Assets:					
Tangible Assets	9	8,265	9,286	196,294	246,263
Intangible Assets	9	40,640	40,025	965,200	1,061,463
Capital work-in-progress		635	-	15,081	-
		49,540	49,311	1,176,575	1,307,726
Deferred Tax Assets		448	805	10,640	21,349
Long Term Loans and Advances	10	1,946	1,654	46,218	43,864
		51,934	51,770	1,233,433	1,372,939
<b>Current Assets:</b>					
Inventories	11	14,258	14,362	338,628	380,880
Trade Receivables	12	23,141	20,593	549,599	546,126
Cash and Bank Balances	13	12,456	14,511	295,830	384,832
Short Term Loans and Advances	14	657	527	15,605	13,976
Other Current Assets	15	182	190	4,323	5,039
		50,694	50,183	1,203,985	1,330,853
<b>Total</b>		<b>102,628</b>	<b>101,953</b>	<b>2,437,418</b>	<b>2,703,792</b>
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 26				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 14, 2015

For and on behalf of the Board

Director

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Statement of Profit and Loss for the year ended December 31, 2014**

Particulars	Note No.	BRL-Thousands		INR-Thousands	
		Year ended December 31			
		2014	2013	2014	2013
<b>REVENUE:</b>					
Revenue from Operations:					
Sale of Products [Pharma Products]		88,600	87,273	2,300,942	2,314,480
Other Income	16	1,460	1,168	37,917	46,875
Total Revenue		90,060	88,441	2,338,859	2,361,355
<b>EXPENSES:</b>					
Cost of Materials Consumed	17	12,585	9,472	337,630	251,884
Purchases of Stock-in-Trade	18	15,324	26,454	397,964	701,560
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	19	1,599	14	68,546	4,459
Employee Benefits Expense	20	20,349	21,840	528,464	579,196
Finance Costs	21	3,761	6,654	97,673	176,464
Depreciation, Amortisation and Impairment Expenses	9	1,333	1,391	34,618	36,889
Other Expenses	22	35,541	38,638	922,998	1,024,680
Total Expenses		90,492	104,463	2,387,893	2,775,132
<b>Loss before Tax</b>		(432)	(16,022)	(49,034)	(413,777)
Less: Tax Expense:					
Deferred Tax		358	359	9,297	9,521
<b>Loss for the year</b>		(790)	(16,381)	(58,331)	(423,298)
		<b>BRL</b>		<b>INR</b>	
<b>Basic &amp; Diluted Earning per Quota</b>	23	(0.01)	(0.24)	(0.53)	(6.13)
<b>Significant Accounting Policies</b>	II				
<b>Notes to the Financial Statements</b>	1 to 26				

As per our report of even date

For Mukesh M. Shah & Co.

Chartered Accountants

Firm Registration Number: 106625W

Chandresh S. Shah

Partner

Membership Number: 042132

Ahmedabad, Dated: May 14, 2015

For and on behalf of the Board

Director

**ZYDUS NIKKHO FARMACEUTICA LTDA.****Significant Accounting Policies****I-Company overview:**

Zydus Nikkho Farmaceutica Ltda. is a limited liability company, based in Rio de Janeiro which is engaged in manufacturing, marketing and importing pharmaceuticals for human consumption, operating in major pharmaceutical sectors.

**II-Significant Accounting Policies:****1 Summary of Main Accounting Practices:**

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) and pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC) applicable to its operations. The accounting practices adopted in Brazil comprise those prescribed by the Brazilian corporate law and the technical pronouncements, guidance and interpretations issued by the Accounting Pronouncements committee (CPC) and approved by the Federal Accounting Council (CFC). The issuance of these financial statements was authorized by the Board on January 31, 2015.

**2 Accounting Estimates:**

The preparation of the financial statements in accordance with Brazilian accounting practices requires Management to use judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual amount of fixed assets, allowance for doubtful accounts, inventories and provision for contingencies. The settlement of transactions involving these estimates may give rise to different amounts due to inaccuracies inherent in the calculation process. The management of Zydus Nikkho reviews these estimates at least once a year.

**3 Reporting Currency Translation:**

The Local accounts are maintained in local and functional currency which is "BRL". 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 "BRL" 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 Trade Accounts Receivable:**

Accounts receivable from customers correspond to amounts receivable for goods sold in the normal course of business of the Company. If the period of collection equals one year or less, the receivables are classified as current assets. Otherwise, they are presented as noncurrent assets. Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method minus the provision for doubtful debts (impairment) method. In practice, they are usually recognized at the invoiced amount, adjusted by the impairment provision, if necessary.

**5 Inventories:**

**A** Inventories are stated at lower of cost or net realizable value.

**B** Costs of finished products and work in process comprise raw material, direct labor, packing, other direct costs and respective overhead costs [based on normal operating capacity]. When necessary, an allowance for slow-moving and/or obsolete inventory is constituted to reflect the risk of realization of these inventories.

**6 Other Current and Non-Current Assets:**

These are stated at their net realizable value, recorded in current or non-current assets in accordance with their expected realization.

**7 Fixed Assets:**

**A** Recorded at acquisition and construction cost, less respective depreciation. Depreciation is calculated on the straight-line method, which take into consideration the estimated useful lives of the assets.

**B** Management reviews the book value of long-lived assets, mainly property and equipment to be held and used in the Company's operations, with the purpose of calculating and evaluating impairment from time to time or whenever any events or significant changes in the circumstances point out that the book value of an asset or group of assets may not be recovered.

**C** The book value of an asset is immediately written down to its recoverable value if it is higher than its estimated recoverable value.

**8 Intangible Assets:****A Goodwill:**

The goodwill is represented by the positive difference between the value paid and/ or payable for the acquisition of a business and the net amount of the fair value of the assets and liabilities of the acquired subsidiary. The goodwill from acquisitions of subsidiaries is recorded at its fair value less the accumulated losses for impairment. Losses for the impairment recognized in the goodwill are not reverted.

**B Brands, Patents:**

Brands and Patents are not amortised but evaluated for impairment. Assets arising from the business combination are stated at fair value.

**C Software:**

The software licenses acquired are capitalized with basis on the costs incurred to acquire the software and to cause them to be ready for use. These costs are amortized during its estimated life of five year.

**9 Loans and Financing:**

Recognized at fair value upon receiving the funds, net of transaction costs and added by charges, interest and monetary adjustments for inflation, as provided for in agreements and incurred up to the balance sheet dates. Any difference between the amounts collected and the liquidation amount is recorded in income for the year during the period in which the loan is outstanding, based on the effective interest rate method. Accordingly, the loan payable balance is near the fair value at the balance sheet date.

**10 Vacation Allowances:**

Constituted with basis on rights acquired by the employees up to the date of the balance sheet and includes the corresponding social charges.

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Significant Accounting Policies-Continue**

**11 Current and Long-Term Liabilities:**

These are stated by the amounts known or calculable, plus, when applicable, the corresponding charges and/or adjustments for inflation and exchange variations incurred up to the date of the balance sheet.

**12 Provision for Contingent Risks:**

The provision is recognized when the Company has a legal obligations or is constituted as a result of a past event, and is likely that the economic resource will be required to settle the obligation. The provisions are recorded having as basis the best estimates of specific liabilities risks and duly supported through evaluation of the probability of loss made by the Company's management and lawyers.

**13 Determination of Income and Recognition criterion for Revenue from Sales:**

Income from operations is stated based on the accrual basis of accounting. Revenue from sales of products is recorded in income, where risks and benefits inherent in products are passed on to clients, as the transfer of property occurs.

**14 Financial Income:**

Recorded based on the time elapsed, based on the effective interest rate method, and recognized upon expected realization.

**Notes to the Financial Statements**

	BRL-Thousands		INR-Thousands	
	As at December 31			
	2013	2012	2013	2012
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
118,756,854 [as at December 31, 2013: 87,198,304] Quota of BRL 1/- each	118,757	87,198	2,820,479	2,312,491
	118,757	87,198	2,820,479	2,312,491
<b>Issued, Subscribed and Paid-up:</b>				
118,756,854 [as at December 31, 2013: 87,198,304] Quota of BRL 1/- each, fully paid-up	118,757	87,198	2,820,479	2,312,491
	118,757	87,198	2,820,479	2,312,491
A The reconciliation of the number of quotas outstanding is as under:				
<u>Particulars</u>				
Number of quotas at the beginning of the year	87,198,304	57,706,879		
Add: quotas issued during the year	31,558,550	29,491,425		
Number of quotas at the end of the year	118,756,854	87,198,304		
B The Company has only quotas. All quotas rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the quota holders shall be entitled to proportionate quota of their holding in the assets remained after distribution of all preferential amounts.				
C Quotas of BRL 1/- each, fully paid held by Holding Company, Zydus Netherlands B.V., a company incorporated in the Netherlands which is a subsidiary company of Zydus International Private Limited, a company incorporated in the Republic of Ireland which is a subsidiary company of Cadila Healthcare Limited, the ultimate holding company, a company incorporated in India.				
Number of Quotas	118,756,854	87,198,304		
% to total Quota holding	100%	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			168,255	
	-	-	168,255	-
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(46,456)	(30,075)	(1,232,015)	(808,717)
Add: Loss for the year	(790)	(16,381)	(58,331)	(423,298)
Balance as at the end of year	(47,246)	(46,456)	(1,290,346)	(1,232,015)
<b>Total</b>	(47,246)	(46,456)	(1,122,091)	(1,232,015)
[*] 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 higher by INR 168,255 thousands, with a corresponding effect in "Reserves and Surplus".				
<b>Note: 3-Long Term Borrowings:</b>				
Term Loans from Banks [Secured]		2,250	-	59,670
<b>Total</b>	-	2,250	-	59,670
<b>Note: 4-Other Long Term Liabilities:</b>				
Others- Escrow Liability	8,589	7,413	203,989	196,593
<b>Total</b>	8,589	7,413	203,989	196,593
<b>Note: 5-Long Term Provisions:</b>				
Other Long Term Provisions	10,858	8,685	257,878	230,326
<b>Total</b>	10,858	8,685	257,878	230,326
<b>Note: 6-Short Term Borrowings:</b>				
Loans repayable on Demand:				
Working Capital Loans from Banks [Secured]	-	21,553	-	571,586
Working Capital Loans from Banks [Unsecured]	-	10,071	-	267,083
<b>Total</b>	-	31,624	-	838,669

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

	BRL-Thousands		INR-Thousands				
	As at December 31						
	2014	2013	2014	2013			
<b>Note: 7-Trade Payables:</b>							
Trade Payables	5,576	5,512	132,430	146,178			
<b>Total</b>	<b>5,576</b>	<b>5,512</b>	<b>132,430</b>	<b>146,178</b>			
<b>Note: 8-Other Current Liabilities:</b>							
Payable to statutory authorities	1,764	2,035	41,895	53,968			
Provision for Expenses	4,330	3,692	102,838	97,912			
<b>Total</b>	<b>6,094</b>	<b>5,727</b>	<b>144,733</b>	<b>151,880</b>			
<b>Note: 9-Fixed Assets:</b>							
<b>A Tangible Assets:</b>	Freehold Land	Buildings	Plant and Equipment	Vehicles	Furniture and Fixtures	Office Equipment	<b>Total</b>
	<b>BRL-Thousands</b>						
Gross Block:							
As at December 31, 2012	263	2,085	7,218	405	1,636	960	12,567
Additions		237	275		92		604
Disposals				(24)			(24)
Other adjustments		2,423	2,365	(104)	(108)		4,576
As at December 31, 2013	263	4,745	9,858	277	1,620	960	17,723
Additions			114		142		256
Disposals							-
Other adjustments			(146)		(14)		(160)
As at December 31, 2014	263	4,745	9,826	277	1,748	960	17,819
Depreciation and Impairment:							
As at December 31, 2012	-	1,330	4,407	189	825	695	7,446
Charge for the year		241	731	51	248	8	1,279
Disposals							-
Other adjustments			(184)	(104)			(288)
As at December 31, 2013	-	1,571	4,954	136	1,073	703	8,437
Charge for the year		251	702	49	223	8	1,233
Disposals							-
Other adjustments			(104)		(12)		(116)
As at December 31, 2014	-	1,822	5,552	185	1,284	711	9,554
Net Block:							
As at December 31, 2013	263	3,174	4,904	141	547	257	9,286
As at December 31, 2014	263	2,923	4,274	92	464	249	8,265
	<b>INR-Thousands</b>						
	Freehold Land	Buildings	Plant and Equipment	Vehicles	Furniture and Fixtures	Office Equipment	<b>Total</b>
Gross Block:							
As at December 31, 2012	7,072	56,066	194,092	10,890	43,992	25,814	337,926
Additions	-	6,285	7,293	-	2,440	-	16,018
Disposals	-	-	-	(636)	-	-	(636)
Other adjustments	(97)	63,486	60,049	(2,908)	(3,470)	(355)	116,705
As at December 31, 2013	6,975	125,837	261,434	7,346	42,962	25,459	470,013
Additions	-	-	2,708	-	3,373	-	6,081
Disposals	-	-	-	-	-	-	-
Other adjustments	(729)	(13,143)	(30,774)	(767)	(4,820)	(2,659)	(52,892)
As at December 31, 2014	6,246	112,694	233,368	6,579	41,515	22,800	423,202
Depreciation and Impairment:							
As at December 31, 2012	-	35,764	118,504	5,082	22,184	18,689	200,223
Charge for the year	-	6,391	19,386	1,353	6,577	212	33,919
Disposals	-	-	-	-	-	-	-
Other adjustments	-	(492)	(6,510)	(2,828)	(305)	(257)	(10,392)
As at December 31, 2013	-	41,663	131,380	3,607	28,456	18,644	223,750
Charge for the year	-	6,518	18,231	1,273	5,791	208	32,021
Disposals	-	-	-	-	-	-	-
Other adjustments	-	(4,908)	(17,751)	(486)	(3,752)	(1,966)	(28,863)
As at December 31, 2014	-	43,273	131,860	4,394	30,495	16,886	226,908
Net Block:							
As at December 31, 2013	6,975	84,174	130,054	3,739	14,506	6,815	246,263
As at December 31, 2014	6,246	69,421	101,508	2,185	11,020	5,914	196,294



**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

**Note: 9-Fixed Assets-Continue:**

B Intangible Assets:	BRL-Thousands				INR-Thousands			
	Goodwill	Brands/ Trademarks	Computer Software	Total	Goodwill	Brands/ Trademarks	Computer Software	Total
Gross Block:								
As at December 31, 2012	36,725	3,053	908	40,686	987,535	82,095	24,416	1,094,046
Additions	-	-	124	124	-	-	3,288	3,288
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	(13,588)	(1,129)	(335)	(15,052)
As at December 31, 2013	36,725	3,053	1,032	40,810	973,947	80,966	27,369	1,082,282
Additions	-	-	715	715	-	-	16,981	16,981
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	(101,728)	(8,457)	(2,859)	(113,044)
As at December 31, 2014	36,725	3,053	1,747	41,525	872,219	72,509	41,491	986,219
Amortisation and Impairment:								
As at December 31, 2012	-	53	620	673	-	1,425	16,672	18,097
Charge for the year	-	-	112	112	-	-	2,970	2,970
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	(19)	(229)	(248)
As at December 31, 2013	-	53	732	785	-	1,406	19,413	20,819
Charge for the year	-	-	100	100	-	-	2,597	2,597
Disposals	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	(147)	(2,250)	(2,397)
As at December 31, 2014	-	53	832	885	-	1,259	19,760	21,019
Net Block:								
As at December 31, 2013	36,725	3,000	300	40,025	973,947	79,560	7,956	1,061,463
As at December 31, 2014	36,725	3,000	915	40,640	872,219	71,250	21,731	965,200

Note: Other adjustments include adjustments on account of exchange rate translation differences.

	BRL-Thousands		INR-Thousands	
	As at December 31			
	2014	2013	2014	2013

**Note: 10-Long Term Loans and Advances:**

Deposits	1,946	1,654	46,218	43,864
<b>Total</b>	<b>1,946</b>	<b>1,654</b>	<b>46,218</b>	<b>43,864</b>

**Note: 11-Inventories:**

[The Inventory is valued at lower of cost and net realisable value]

Classification of Inventories:				
Raw Materials	4,178	2,770	99,228	73,460
Work-in-progress	3,136	2,280	74,480	60,466
Finished Goods	2,840	1,988	67,450	52,722
Stock-in-Trade	3,461	6,768	82,199	179,487
Others:				
Packing Materials	643	556	15,271	14,745
<b>Total</b>	<b>14,258</b>	<b>14,362</b>	<b>338,628</b>	<b>380,880</b>

**Note: 12-Trade Receivables:**

[Unsecured]				
Outstanding for a period exceeding six months from the date they are due for payment:				
Considered good	-	-	-	-
Considered doubtful	321	332	7,624	8,805
	321	332	7,624	8,805
Less: Provision for doubtful debts	321	332	7,624	8,805
	-	-	-	-
Others- Considered good	23,141	20,593	549,599	546,126
<b>Total</b>	<b>23,141</b>	<b>20,593</b>	<b>549,599</b>	<b>546,126</b>

**Note: 13-Cash and Bank Balances :**

Balances with Banks [*]	12,449	14,503	295,664	384,620
Cash on Hand	7	8	166	212
<b>Total</b>	<b>12,456</b>	<b>14,511</b>	<b>295,830</b>	<b>384,832</b>
[*] Includes bank deposits with maturity of more than 12 months	11,763	11,251	279,371	298,377

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

	BRL-Thousands		INR-Thousands	
	As at December 31			
	2014	2013	2014	2013
<b>Note: 14-Short Term Loans and Advances:</b>				
[Unsecured, Considered Good]				
Balances with Revenue Authorities	250	339	5,938	8,990
Advances to Suppliers	10	-	238	-
Advances to Employees	397	188	9,429	4,986
<b>Total</b>	<b>657</b>	<b>527</b>	<b>15,605</b>	<b>13,976</b>
<b>Note: 15-Other Current Assets:</b>				
Prepaid Expenses	182	190	4,323	5,039
<b>Total</b>	<b>182</b>	<b>190</b>	<b>4,323</b>	<b>5,039</b>
	BRL-Thousands		INR-Thousands	
	Year ended December 31			
	2014	2013	2014	2013
<b>Note: 16-Other Income:</b>				
Interest Income [Gross]:				
From Others [Other than long term/ current investments]	1,241	887	32,229	23,523
Net Gain on sale of Fixed Assets	4	25	104	663
Miscellaneous Income	215	256	5,584	6,789
Exchange rate difference due to translation [Refer Note - 2 *]		-		15,900
<b>Total</b>	<b>1,460</b>	<b>1,168</b>	<b>37,917</b>	<b>46,875</b>
<b>Note: 17-Cost of Materials Consumed:</b>				
Raw Materials:				
Stock at commencement	2,770	1,852	73,460	49,800
Add: Purchases	12,431	4,479	322,833	118,784
	15,201	6,331	396,293	168,584
Less: Stock at close	4,178	2,770	99,228	73,460
	11,023	3,561	297,065	95,124
Packing Materials consumed	1,562	5,911	40,565	156,760
<b>Total</b>	<b>12,585</b>	<b>9,472</b>	<b>337,630</b>	<b>251,884</b>
<b>Note: 18-Purchase of Stock-in-Trade:</b>				
Purchase of Stock-in-Trade [Pharma Products]	15,324	26,454	397,964	701,560
<b>Total</b>	<b>15,324</b>	<b>26,454</b>	<b>397,964</b>	<b>701,560</b>
<b>Note: 19-Changes in Inventories:</b>				
Stock at commencement:				
Work-in-progress	2,280	2,473	60,466	66,499
Finished Goods	1,988	1,145	52,722	30,789
Stock-in-Trade	6,768	7,432	179,487	199,846
	11,036	11,050	292,675	297,134
Less: Stock at close:				
Work-in-progress	3,136	2,280	74,480	60,466
Finished Goods	2,840	1,988	67,450	52,722
Stock-in-Trade	3,461	6,768	82,199	179,487
	9,437	11,036	224,129	292,675
<b>Total</b>	<b>1,599</b>	<b>14</b>	<b>68,546</b>	<b>4,459</b>
<b>Note: 20-Employee Benefits Expense:</b>				
Salaries and wages	13,645	14,766	354,361	391,594
Contribution to provident and other funds	4,571	5,047	118,709	133,846
Staff welfare expenses	2,133	2,027	55,394	53,756
<b>Total</b>	<b>20,349</b>	<b>21,840</b>	<b>528,464</b>	<b>579,196</b>
<b>Note: 21-Finance Cost:</b>				
Interest expense [*]	3,361	6,010	87,285	159,385
Bank commission & charges	400	644	10,388	17,079
<b>Total</b>	<b>3,761</b>	<b>6,654</b>	<b>97,673</b>	<b>176,464</b>
[*] The break up of interest expense in to major heads is given below:				
On working capital loans	2,134	4,799	55,420	127,269
Others	1,227	1,211	31,865	32,116
<b>Total</b>	<b>3,361</b>	<b>6,010</b>	<b>87,285</b>	<b>159,385</b>

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

	BRL-Thousands		INR-Thousands	
	Year ended December 31			
	2014	2013	2014	2013
<b>Note: 22-Other Expenses:</b>				
Consumption of Stores and spare parts	291	337	7,557	8,937
Power & Fuel	94	113	2,441	2,997
Rent	839	705	21,789	18,697
Repairs to Buildings	345	352	8,960	9,335
Repairs to Plant and Machinery	578	657	15,011	17,424
Repairs to Others	1,011	1,007	26,256	26,706
Insurance	253	357	6,570	9,468
Rates and Taxes [excluding taxes on income]	1,106	1,413	28,723	37,473
Traveling Expenses	727	504	18,880	13,366
Legal and Professional Fees	2,590	1,899	67,262	50,361
Net Loss on foreign currency transactions	1,036	3,790	26,905	100,511
Commission on sales	5,020	4,300	130,369	114,036
Freight and forwarding on sales	1,654	1,687	42,954	44,739
Seminar, Conference and Exhibition expenses	423	83	10,985	2,201
Other marketing expenses	11,890	12,264	308,783	325,241
Miscellaneous Expenses [*]	7,684	9,170	199,553	243,188
<b>Total</b>	<b>35,541</b>	<b>38,638</b>	<b>922,998</b>	<b>1,024,680</b>
[*] Miscellaneous Expenses include Payment to the auditors as Auditor	406	280	10,544	7,426
<b>Note: 23-Calculation of Earnings per Quota:</b>				
The numerators and denominators used to calculate basic and diluted EPS are as follows:				
A Loss attributable to Quota holders	(790)	(16,381)	(58,331)	(423,298)
B Basic and weighted average number of quotas outstanding during the year	110,867,217	69,073,054	110,867,217	69,073,054
	<b>BRL</b>		<b>INR</b>	
C Nominal value	1	1		
D Basic & Diluted EPS	(0.01)	(0.24)	(0.53)	(6.13)
<b>Note: 24-Segment Information:</b>				
There is only one segment namely, "Pharmaceutical products".				
<b>Note: 25-Related Party Transactions:</b>				
<b>A Name of the Related Parties and Nature of the Related Party Relationship:</b>				
<b>a Holding Company:</b>	Zydus Netherland B.V.			
<b>b Holding Company of Holding company:</b>	Zydus International Private Limited			
<b>c Ultimate Holding Company:</b>	Cadila Healthcare Limited			
<b>d Fellow Subsidiaries:</b>				
Dialforhealth India Limited	Zydus Pharma Japan Co. Ltd. [Japan]			
Dialforhealth Unity Limited	Etna Biotech S.R.L. [Italy]			
Dialforhealth Greencross Limited	Zydus Pharmaceuticals Mexico SA De C.V. [Mexico]			
German Remedies Limited	Zydus Pharmaceuticals Mexico Services Company SA De C.V.[Mexico]			
Zydus Wellness Limited	Zydus Noveltech Inc. [USA]			
Liva Pharmaceuticals Limited	Simayla Pharmaceuticals (Pty) Ltd [South Africa]			
Zydus Technologies Limited	Script Management Services (Pty) Ltd [South Africa]			
Biochem Pharmaceutical Industries Limited	Hercon Pharmaceuticals LLC [USA]			
M/s. Zydus Healthcare, a Partnership Firm	Z AHL B.V. [the Netherlands]			
M/s. Zydus Wellness-Sikkim, a Partnership Firm	Z AHL Europe B.V. [the Netherlands]			
Zydus BSV Pharma Private Limited	Bremer Pharma GmbH [Germany]			
Zydus Healthcare S.A. (Pty) Ltd [South Africa]	Zydus Healthcare Philippines Inc [Philippines]			
Zydus Healthcare (USA) LLC [USA]	Zydus Worldwide DMCC [Dubai]			
Zydus Pharmaceuticals (USA) Inc. [USA]	Zydus Discovery DMCC [Dubai]			
Nesher Pharmaceuticals (USA) LLC [USA]	Zydus France, SAS [France]			
Zydus Lanka (Private) Limited [Sri Lanka]				
<b>e Directors:</b>	Mr. Ashok Bhatia	Mr. Luiz Eduardo Violland		

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Notes to the Financial Statements**

**Note: 25-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 party referred to in items 25- A [a & c]:

Nature of Transactions	Value of Transaction							
	BRL-Thousands		INR-Thousands		BRL-Thousands		INR-Thousands	
	Holding Company				Ultimate Holding Company			
	2014		2013		2014		2013	
	2014		2013		2014		2013	
Purchase of Goods								
Purchase of Services								
Issue of Share Capital								
Outstanding- Payables								

**b** There are no transactions with parties referred to in items 25 - A [b, d & e]

**Note: 26**

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 26 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