

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.
Balance Sheet as at December 31, 2015

Particulars	Note No.	MXN - Thousands		INR - Thousands	
		As at December 31			
		2015	2014	2015	2014
EQUITY AND LIABILITIES:					
Shareholders' Funds:					
Share Capital	1	5,601	5,601	21,508	24,084
Reserves and Surplus	2	(5,992)	(8,005)	(23,010)	(34,421)
		(391)	(2,404)	(1,502)	(10,337)
Non-Current Liabilities:					
Long Term Provisions	3	1,667	1,854	6,401	7,972
		1,667	1,854	6,401	7,972
Current Liabilities:					
Trade Payables	4	2,134	372	8,195	1,600
Other Current Liabilities	5	1,820	6,042	6,989	25,981
Short Term Provisions	6	4,084	4,894	15,683	21,044
		8,038	11,308	30,867	48,625
Total		9,314	10,758	35,766	46,260
ASSETS:					
Non-Current Assets:					
Long Term Loans and Advances	7	491	368	1,886	1,583
Current Assets:					
Trade Receivables	8	7,759	9,339	29,795	40,158
Cash and Bank Balances	9	192	198	737	851
Other Current Assets	10	872	853	3,348	3,668
		8,823	10,390	33,880	44,677
Total		9,314	10,758	35,766	46,260
Significant Accounting Policies	II				
Notes to the Financial Statements	1 to 18				

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah & Co.
Chartered Accountants
Firm Registration Number: 106625W

Chandresh S. Shah
Partner
Membership Number: 042132
Ahmedabad, Dated: May 12, 2016

Sole Administrator

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.
Statement of Profit and Loss for the year ended December 31, 2015

Particulars	Note No.	MXN - Thousands		INR - Thousands	
		Year ended December 31			
		2015	2014	2015	2014
REVENUE:					
Revenue from Operations:					
Sale of Services		51,783	51,844	209,203	237,446
EXPENSES:					
Employee Benefits Expense	11	48,557	48,671	196,170	222,913
Finance Costs	12	6	25	24	115
Other Expenses	13	541	1,629	2,185	7,461
Total Expenses		49,104	50,325	198,379	230,489
Profit/ [Loss] before Tax		2,679	1,519	10,824	6,957
Less: Tax Expense:					
Current Tax		666	779	2,691	3,568
Profit/ [Loss] for the year		2,013	740	8,133	3,389
		MXN		INR	
Basic & Diluted Earning per Equity Share [EPS]	14	0.36	0.14	1.45	0.65
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 12, 2016

Sole Administrator

I-Company overview:

Zydus Pharmaceuticals Mexico S.A. De C.V., was incorporated on August 31, 2010. The Company's main activity is to render administrative and personnel services to its affiliated company Zydus Pharmaceuticals Mexico S.A. de C.V. The Company is a subsidiary of Zydus International Private Limited, a company incorporated in the Republic of Ireland.

II-Significant Accounting Policies:

1 Reporting Currency Translation:

The Local accounts are maintained in local and functional currency which is "Mexican Pesos [MXN]". These accounts have been translated in Indian Rupees considering the operation of the Company as "Non-integral operations" for holding company. The translation of Financial Statements to Indian Rupee [INR] from "MXN" is performed for assets and liabilities using the exchange rates prevailing on the Balance sheet dates and for revenues and expenses using the average exchange rates for the respective periods. The gain or loss resulting from such translation is included in "Foreign Currency Translation Reserve" under Reserves and Surplus.

2 Financial Reporting Standards:

- A** The accompanying financial statements have been prepared in accordance with the Financial Reporting Standards [NIF for its Acronym in Spanish] as issued by the Mexican Board of Financial Reporting Standards [CINIF for its Acronym in Spanish].
- B** The NIFS are structured as follows: a) Financial Reporting Standards and interpretations (INIF), b) Accounting Principles Bulletins; issued by the Mexican Institute of Public accounts that have not been modified, replaced or repealed by the NIF, and c) International Financial Reporting Standards (IFRS); issued by the International Accounting Standards Board (IASB) which are applicable suppletorily.
- C** The accompanying financial statements and their notes were authorized to be issued on March 25, 2016, by Gyanesh Kumar, Finance Head, consequently, do not reflect the events beyond that date.
- D** The General Corporate Law and the by-laws of the Company, grant to stockholders the possibility to amend the financial statements after issuing them. The accompanying financial statements will be submitted for approval at the General Stockholders' Annual Meeting.

3 Changes in Accounting Policies from adoption of new NIF:

The company has adopted the new NIF and "NIF improvements" to NIF which were effective from January 1, 2015.

- a NIF C-11 "Stockholders' equity"
- b Improvements to NIF 2015

There are no significant effects arising from the application of this new pronouncement in 2015, with respect to the valuation, presentation and disclosure.

4 Use of Estimates

In preparing the financial statements, various estimates and assumptions have been used for presentation of assets and liabilities, and disclosure of contingent assets and liabilities, such as, labor obligation, future cash flow, discount rates and other allowances, in order to present its financial information in conformity with Mexican financial reporting standards. Actual results can differ from these estimates and assumption.

5 Revenue Recognition

Company recognizes revenue on services when these have been provided and accepted by the client.

6 Foreign Currency Transactions:

Foreign currency transactions are accounted for at the prevailing exchange rate at the time they are carried out. Foreign currency denominated assets and liabilities are restated at the applicable end of the period exchange rates. Exchange gains or losses form part of the result of financing, affecting net income.

7 Employee benefits:

Payments to employees and workers, who no longer have a labour relationship, as provided for in the Federal Labor Law, are recorded as shown below:

A Indemnifications:

Indemnifications other than retirement, intended to personnel retiring due to corporate reorganisations, are charged to net income when they are paid; or otherwise, an accrual is determined when i) a present obligation of such events exists, ii) there is a high probability of cash disbursed, and iii) such obligation can be reasonably estimated. Indemnifications, other than retirement, intended to personnel retiring by circumstances, other than corporate reorganisations, are determined based on actuarial calculations.

B Seniority premium:

Seniority premium payable to employees that have completed fifteen or more years of service, as provided for in the Federal Labor Law, are recognised as a cost during the years of service; thus, an accrual intended to cover actual benefits has been determined based on actuarial calculations.

8 Income Tax, and employee profit sharing, Prepaid or Deferred:

- A** Provisions for income tax (ISR for its Spanish acronym) and employee profit sharing (PTU for its Spanish acronym) are recorded net income for the year they become payable. Also, a deferred tax related to these two items is included, arising from temporary differences resulting from comparing book and tax values of assets and liabilities, including the benefit of tax loss carry forward and tax credits. A deferred tax asset is recorded only when there is a high likelihood that it can be recovered. Deferred taxes are determined using enacted tax rates that are estimated will be effective on the dates temporary items shall be reversed or realized.
- B** Current and deferred PTU is considered an ordinary expense associated to employee benefit.

II-Significant Accounting Policies-Continued:

9 Impact of Inflation:

Effective 2008, recognition of the impact of inflation is suspended based on the fact the Mexican economy is now operating in a non-inflationary environment, as the accumulated inflation is less than 26% in the three years prior to the date of financial statements. Since the Company was incorporated on August 31, 2010, the accompanying financial statements do not recognise the effect of inflation on the financial information, as such, they are prepared under historical cost basis. There has been a non-inflationary environment since January 1, 2008.

10 Provisions, Contingent assets and contingent liabilities:

Provisions represent present obligations resulted from past events, and are recognised when there is probability of cash outflows, and amounts can be reliably estimated; but they can still be uncertain. A present obligation arises from legal or contractual commitments resulted from past events such as warranties, legal disputes, or onerous contracts. Restructuring provisions are recognised only if detailed formal plan for the restructuring has been developed and implemented, or management has announced to those affected, at least the plan's main characteristics. Provision are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the obligation, based on the most reliable evidence available at the reporting date, including the risk & uncertainties associated with the present obligation. Where there are number of similar obligations, the probability of cash outflows will be measured considering the class of obligations.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Company's probable economic benefit inflows, that do not yet meet the asset recognition criteria, are considered contingent asset. without significant curtailment of operation.

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.

Notes to the Financial Statements

	MXN - Thousands		INR - Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 1-Share Capital:				
Authorised:				
5,600,991 [as at December 31, 2014: 5,600,991] Equity Shares of MXN 1/- each	5,601	5,601	21,508	24,084
	5,601	5,601	21,508	24,084
Issued, Subscribed and Paid-up:				
5,600,991 [as at December 31, 2014: 5,600,991] Equity Shares of MXN 1/- each fully paid-up	5,601	5,601	21,508	24,084
Total	5,601	5,601	21,508	24,084
A The reconciliation of the number of Shares outstanding is as under:				
<u>Particulars</u>				
Number of shares at the beginning of the year	5,600,991	1,319,390		
Add: Shares issued during the year	-	4,281,601		
Number of shares at the end of the year	5,600,991	5,600,991		
B The Company has only equity shares. All equity shares rank pari passu and carry equal rights with respect to voting and dividend. In the event of liquidation of the Company, the equity shareholders shall be entitled to proportionate share of their holding in the assets remained after distribution of all preferential amounts.				
C Equity shares of MXN 1/- each, fully paid held by Holding Company, 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 Shares	5,600,991	5,600,991		
% to total share holding	100%	100%		
Note: 2-Reserves and Surplus:				
Foreign Currency Translation Reserve:				
Balance as per last Balance Sheet	-	-	2,506	-
Add: Exchange Rate differences on translation to INR	-	-	772	2,506
	-	-	3,278	2,506
Surplus in statement of Profit and Loss:				
Balance as per last Balance Sheet	(8,005)	(8,745)	(34,421)	(40,316)
Less/ [Add]: Profit/ [Loss] for the year	2,013	740	8,133	3,389
Balance as at the end of the year	(5,992)	(8,005)	(26,288)	(36,927)
Total	(5,992)	(8,005)	(23,010)	(34,421)
Note: 3-Long Term Provisions:				
Provision for Employee Benefits	1,667	1,854	6,401	7,972
Total	1,667	1,854	6,401	7,972
Note: 4-Trade Payables:				
Trade Payables	2,134	372	8,195	1,600
Total	2,134	372	8,195	1,600
Note: 5-Other Current Liabilities:				
Provision for Expenses	1,820	6,042	6,989	25,981
Total	1,820	6,042	6,989	25,981

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.

Notes to the Financial Statements

	MXN - Thousands		INR - Thousands	
	As at December 31			
	2015	2014	2015	2014
Note: 6-Short Term Provision:				
Payable to Statutory Authorities	4,084	4,894	15,683	21,044
Total	4,084	4,894	15,683	21,044
Note: 7-Long Term Loans and Advances:				
[Unsecured, Considered Good unless otherwise stated]				
Other Loans and Advances:				
Balances with Revenue Authorities	439	323	1,686	1,389
Advances recoverable in cash or in kind or for value to be received	52	45	200	194
Total	491	368	1,886	1,583
Note: 8-Trade Receivables:				
Others- Considered good [Unsecured]	7,759	9,339	29,795	40,158
Total	7,759	9,339	29,795	40,158
Note: 9-Cash and Bank Balances:				
Balances with Banks	192	198	737	851
Total	192	198	737	851
Note: 10-Other Current Assets:				
[Unsecured, Considered good]				
Prepaid Expenses	872	853	3,348	3,668
Total	872	853	3,348	3,668
	MXN - Thousands		INR - Thousands	
	Year ended December 31			
	2015	2014	2015	2014
Note: 11-Employee Benefits Expense:				
Salaries and wages	39,159	39,536	158,202	181,075
Contribution to provident and other funds	6,723	6,431	27,161	29,454
Staff welfare expenses	2,675	2,704	10,807	12,384
Total	48,557	48,671	196,170	222,913
Note: 12-Finance Cost:				
Interest Expenses [*]	-	13	-	60
Bank Commission & Charges	6	12	24	55
Total	6	25	24	115
[*] The break up of interest cost in to major heads is given below:				
On term loans	-	8	-	37
Others	-	5	-	23
Total	-	13	-	60
Note: 13-Other Expenses:				
Traveling Expenses	151	930	610	4,259
Legal and Professional Fees	336	484	1,357	2,217
Miscellaneous Expenses [*]	54	215	218	985
Total	541	1,629	2,185	7,461
[*] Miscellaneous Expenses include Payment to the auditors as "Auditor"	41	30	166	137
Note: 14-Calculation of Earnings per Equity Share [EPS]:				
The numerators and denominators used to calculate the basic and diluted EPS are:				
A Profit attributable to Shareholders	2,013	740	8,133	3,389
B Basic and weighted average number of Equity shares outstanding during the year	5,600,991	5,244,191	5,600,991	5,244,191
	MXN		INR	
C Nominal value of equity share	1	1		
D Basic & Diluted EPS	0.36	0.14	1.45	0.65

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.
Notes to the Financial Statements

Note: 15-Segment Information:

There is only one segment namely, "Rendering of administrative and personnel services".

Note: 16-Related Party Transactions:

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

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

d Administrator: Mr. Prashant Jayantbhai Desai

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, b & c].

	<u>MXN - Thousands</u>		<u>INR - Thousands</u>	
	<u>Year ended December 31</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Purchase of Services:				
Cadila Healthcare Limited		6	-	27
Sale of Services:				
Zydus Pharmaceuticals Mexico SA De C.V.	51,783	51,844	209,203	237,446
Issue of Share Capital:				
Zydus International Private Limited	-	4,282	-	18,413
Inter Company Loan (Repaid)/ Accepted :				
Zydus Pharmaceuticals Mexico SA De C.V.	-	(619)	-	(2,662)
Interest paid:				
Zydus Pharmaceuticals Mexico SA De C.V.	-	8	-	37
		As at December 31		
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Outstanding:				
Receivable:				
Zydus Pharmaceuticals Mexico SA De C.V.	7,759	9,339	29,795	40,158
Payable:				
Cadila Healthcare Limited	3	3	12	13
Zydus Pharmaceuticals Mexico SA De C.V.	-	-	-	-
Total	3	3	12	13

b There are no transactions with the parties referred to in item no. 16 A [d].

Note: 17-Going Concern:

As of December 31, 2015 and 2014, the Company has lost more than two-thirds of its capital stock. However Cadila Healthcare Limited (CHL) the ultimate parent company of Zydus Pharmaceuticals Mexico Service Company, S. A.de C. V. has given an assurance to provide sufficient financial support, so as to enable the Company to continue its operations without significant curtailment of operation.

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.
Notes to the Financial Statements

Note: 18

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 12, 2016

Sole Administrator

Zydus Pharmaceuticals Mexico Service Co. SA De C.V.
Cash Flow Statement for the year ended December 31, 2015

Particulars	MXN - Thousands		INR - Thousands	
	Year ended December 31			
	2015	2014	2015	2014
A Cash flows from operating activities:				
Profit/ [Loss] before tax	2,679	1,519	10,824	6,957
Adjustments for:				
Provisions for employee benefits	(187)	799	(755)	3,659
Operating profit before working capital changes	2,492	2,318	10,069	10,616
Adjustments for:				
Decrease/ [Increase] in trade receivables	1,580	(6,238)	6,383	(28,570)
Decrease/ [Increase] in long term advances	(123)	196	(497)	898
Decrease/ [Increase] in other current assets	(19)	(171)	(77)	(783)
Increase/ [Decrease] in trade payables	1,762	(264)	7,118	(1,209)
Increase/ [Decrease] in other current liabilities	(4,222)	(251)	(17,057)	(1,150)
Total	(1,022)	(6,728)	(4,130)	(30,814)
Cash generated from operations	1,470	(4,410)	5,939	(20,198)
Direct taxes paid [Net of refunds]	(1,476)	859	(5,963)	3,934
Net cash from [used] operating activities	(6)	(3,551)	(24)	(16,264)
B Cash flows from investing activities:				
Net cash used [from] in investing activities	-	-	-	-
C Cash flows from financing activities:				
Proceeds from Issuance of Share Capital	-	4,282	-	19,612
Proceeds from Long Term Borrowings	-	(619)	-	(2,835)
Net cash used [from] in financing activities	-	3,663	-	16,777
Net increase in cash and cash equivalents	(6)	112	(24)	513
Increase/ [Decrease] due to the translation to INR [Refer Note-3]	-	-	(90)	(58)
Cash and cash equivalents at the beginning of the year	198	86	851	396
Cash and cash equivalents at the end of the year	192	198	737	851

Notes to the Cash Flow Statement

- 1 All figures in brackets are outflows.
- 2 Previous year's figures have been regrouped wherever necessary.
- 3 Cash Flow Statement is translated into Indian Rupee [INR] at the average exchange rates for the year. The increase/ decrease resulting from such translation is shown separately as "Increase/ [Decrease] due to the translation to INR"

As per our report of even date

For and on behalf of the Board

For Mukesh M. Shah & Co.,
Chartered Accountants
Firm Registration Number: 106625W

Chandresh S. Shah
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