

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Balance Sheet as at December 31, 2015**

Particulars	Note No.	BRL-Thousands		INR-Thousands	
		As at December 31			
		2015	2014	2015	2014
<b>EQUITY AND LIABILITIES:</b>					
<b>Shareholders' Funds:</b>					
Share Capital	1	128,622	118,757	2,159,563	2,820,479
Reserves and Surplus	2	(59,866)	(47,246)	(1,005,151)	(1,122,090)
		68,756	71,511	1,154,412	1,698,389
<b>Non-Current Liabilities:</b>					
Other Long Term Liabilities	3	10,117	8,589	169,864	203,989
Long Term Provisions	4	10,709	10,858	179,804	257,877
		20,826	19,447	349,668	461,866
<b>Current Liabilities:</b>					
Short Term Borrowings	5	6,510	-	109,303	-
Trade Payables	6	16,838	5,576	282,710	132,430
Other Current Liabilities	7	8,859	6,094	148,743	144,733
		32,207	11,670	540,756	277,163
<b>Total</b>		121,789	102,628	2,044,836	2,437,418
<b>ASSETS:</b>					
<b>Non-Current Assets:</b>					
Fixed Assets:					
Tangible Assets	8	8,053	8,265	135,210	196,294
Intangible Assets	8	42,373	40,640	711,442	965,200
Capital work-in-progress		1,630	635	27,368	15,081
		52,056	49,540	874,020	1,176,575
Deferred Tax Assets		90	448	1,511	10,640
Long Term Loans and Advances	9	2,326	1,946	39,054	46,218
		54,472	51,934	914,585	1,233,433
<b>Current Assets:</b>					
Inventories	10	19,100	14,258	320,689	338,628
Trade Receivables	11	30,317	23,141	509,022	549,599
Cash and Bank Balances	12	17,078	12,456	286,739	295,830
Short Term Loans and Advances	13	588	657	9,872	15,605
Other Current Assets	14	234	182	3,929	4,323
		67,317	50,694	1,130,251	1,203,985
<b>Total</b>		121,789	102,628	2,044,836	2,437,418
<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 12, 2016

For and on behalf of the Board

Director

**ZYDUS NIKKHO FARMACEUTICA LTDA.**  
**Statement of Profit and Loss for the year ended December 31, 2015**

Particulars	Note No.	BRL-Thousands		INR-Thousands	
		Year ended December 31			
		2015	2014	2015	2014
<b>REVENUE:</b>					
Revenue from Operations:	15				
Sale of Products [Pharma Products]		102,443	88,600	1,995,590	2,300,942
Other Operating Revenue:		2,504	152	48,778	3,947
Net Revenue from Operations		104,947	88,752	2,044,368	2,304,889
Other Income	16	1,751	1,308	34,110	33,969
Total Revenue		106,698	90,060	2,078,478	2,338,858
<b>EXPENSES:</b>					
Cost of Materials Consumed	17	14,653	12,585	315,550	337,630
Purchases of Stock-in-Trade	18	29,484	15,324	574,348	397,964
Changes in Inventories of Finished goods, Work-in-progress and Stock-in-Trade	19	(4,396)	1,599	(8,127)	68,546
Employee Benefits Expense	20	24,359	20,349	474,513	528,464
Finance Costs	21	2,465	3,761	48,018	97,673
Depreciation, Amortisation and Impairment Expenses	8	1,235	1,333	24,058	34,618
Other Expenses	22	51,160	35,541	996,595	922,999
Total Expenses		118,960	90,492	2,424,955	2,387,894
<b>Loss before Tax</b>		(12,262)	(432)	(346,477)	(49,036)
Less: Tax Expense:					
Deferred Tax		358	358	6,974	9,296
<b>Loss for the year</b>		(12,620)	(790)	(353,451)	(58,332)
			<b>BRL</b>		<b>INR</b>
<b>Basic &amp; Diluted Earning per Quota</b>	23	(0.10)	(0.01)	(2.94)	(0.53)
<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

For and on behalf of the Board

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

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, 2016.

**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 and Technical Know How:**

Brands, Patents and Technical Know How 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			
	2015	2014	2015	2014
<b>Note: 1-Share Capital:</b>				
<b>Authorised:</b>				
128,621,574 [as at December 31, 2014: 118,756,854] Quota of BRL 1/- each	128,622	118,757	2,159,563	2,820,479
	128,622	118,757	2,159,563	2,820,479
<b>Issued, Subscribed and Paid-up:</b>				
128,621,574 [as at December 31, 2014: 118,756,854] Quota of BRL 1/- each, fully paid-up	128,622	118,757	2,159,563	2,820,479
	128,622	118,757	2,159,563	2,820,479
A The reconciliation of the number of quotas outstanding is as under:				
<u>Particulars</u>				
Number of quotas at the beginning of the year	118,756,854	87,198,304		
Add: quotas issued during the year	9,864,720	31,558,550		
Number of quotas at the end of the year	128,621,574	118,756,854		
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	128,621,574	118,756,854		
% 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			168,257	
Add/ [Less]: Exchange differences on translation to Indian Rupee			470,390	168,257
	-	-	638,647	168,257
<b>Surplus in statement of Profit and Loss:</b>				
Balance as per last Balance Sheet	(47,246)	(46,456)	(1,290,347)	(1,232,015)
Add: Loss for the year	(12,620)	(790)	(353,451)	(58,332)
Balance as at the end of year	(59,866)	(47,246)	(1,643,798)	(1,290,347)
<b>Total</b>	(59,866)	(47,246)	(1,005,151)	(1,122,090)
<b>Note: 3-Other Long Term Liabilities:</b>				
Others- Escrow Liability	10,117	8,589	169,864	203,989
<b>Total</b>	10,117	8,589	169,864	203,989
It refers to amounts withheld as security for any contingencies arising from the former subsidiary Quimica e Farmaceutica Nikkho do Brasil Ltda, acquired in July,2007.				
<b>Note: 4-Long Term Provisions:</b>				
Other Long Term Provisions	10,709	10,858	179,804	257,877
<b>Total</b>	10,709	10,858	179,804	257,877
<b>Note: 5-Short Term Borrowings:</b>				
Loans repayable on Demand:				
Working Capital Loans from Banks [Secured]	6,510	-	109,303	-
<b>Total</b>	6,510	-	109,303	-
The working capital loan from banks are secured by receivables of company. The company will pay interest to the bank on the outstanding amount at a pre-fixed rate of interest.				

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

	BRL-Thousands		INR-Thousands				
	As at December 31						
	2015	2014	2015	2014			
<b>Note: 6-Trade Payables:</b>							
Trade Payables	16,838	5,576	282,710	132,430			
<b>Total</b>	<b>16,838</b>	<b>5,576</b>	<b>282,710</b>	<b>132,430</b>			
<b>Note: 7-Other Current Liabilities:</b>							
Other Payables :							
Payable to statutory authorities	2,349	1,764	39,440	41,895			
Provision for Expenses	3,909	3,352	65,632	79,610			
Advance from customers	40	-	672	-			
Others	2,561	978	42,999	23,228			
<b>Total</b>	<b>8,859</b>	<b>6,094</b>	<b>148,743</b>	<b>144,733</b>			
<b>Note: 8-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, 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
Additions		4	479		465		948
Disposals			(17)		(58)		(75)
Other adjustments							-
As at December 31, 2015	263	4,749	10,288	277	2,155	960	18,692
Depreciation and Impairment:							
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
Charge for the year		208	643	36	233	7	1,127
Disposals			(11)		(31)		(42)
Other adjustments							-
As at December 31, 2015	-	2,030	6,184	221	1,486	718	10,639
Net Block:							
As at December 31, 2014	263	2,923	4,274	92	464	249	8,265
As at December 31, 2015	263	2,719	4,104	56	669	242	8,053
	<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, 2013	6,975	125,837	261,434	7,346	42,962	25,459	470,013
Additions	-	-	2,961	-	3,688	-	6,649
Disposals	-	-	-	-	-	-	-
Other adjustments	(729)	(13,143)	(31,027)	(767)	(5,135)	(2,659)	(53,460)
As at December 31, 2014	6,246	112,694	233,368	6,579	41,515	22,800	423,202
Additions	-	78	9,331	-	9,058	-	18,467
Disposals	-	-	(331)	-	(1,130)	-	(1,461)
Other adjustments	(1,830)	(33,036)	(69,632)	(1,928)	(13,261)	(6,682)	(126,369)
As at December 31, 2015	4,416	79,736	172,736	4,651	36,182	16,118	313,839
Depreciation and Impairment:							
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
Charge for the year	-	4,052	12,526	701	4,539	136	21,954
Disposals	-	-	(214)	-	(604)	-	(818)
Other adjustments	-	(13,241)	(40,343)	(1,384)	(9,480)	(4,967)	(69,415)
As at December 31, 2015	-	34,084	103,829	3,711	24,950	12,055	178,629
Net Block:							
As at December 31, 2014	6,246	69,421	101,508	2,185	11,020	5,914	196,294
As at December 31, 2015	4,416	45,652	68,907	940	11,232	4,063	135,210

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

**Note: 8-Fixed Assets-Continue:**

	BRL-Thousands					INR-Thousands				
	Technical Know-how	Goodwill	Brands/ Trademarks	Computer Software	Total	Technical Know-how	Goodwill	Brands/ Trademarks	Computer Software	Total
<b>B Intangible Assets:</b>										
Gross Block:										
As at December 31, 2013	-	36,725	3,053	1,032	<b>40,810</b>		973,947	80,966	27,369	<b>1,082,282</b>
Additions	551	-	-	164	<b>715</b>	14,309	-	-	4,259	<b>18,568</b>
Disposals	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	(1,223)	(101,728)	(8,457)	(3,223)	<b>(114,631)</b>
As at December 31, 2014	551	36,725	3,053	1,196	<b>41,525</b>	13,086	872,219	72,509	28,405	<b>986,219</b>
Additions	1,795	-	-	46	<b>1,841</b>	34,967	-	-	896	<b>35,863</b>
Disposals	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	(8,664)	(255,606)	(21,249)	(8,448)	<b>(293,967)</b>
As at December 31, 2015	2,346	36,725	3,053	1,242	<b>43,366</b>	39,389	616,613	51,260	20,853	<b>728,115</b>
Amortisation and Impairment:										
As at December 31, 2013	-	-	53	732	<b>785</b>	-	-	1,406	19,413	<b>20,819</b>
Charge for the year	-	-	-	100	<b>100</b>	-	-	-	2,597	<b>2,597</b>
Disposals	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	(147)	(2,250)	<b>(2,397)</b>
As at December 31, 2014	-	-	53	832	<b>885</b>	-	-	1,259	19,760	<b>21,019</b>
Charge for the year	-	-	-	108	<b>108</b>	-	-	-	2,104	<b>2,104</b>
Disposals	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	(369)	(6,081)	<b>(6,450)</b>
As at December 31, 2015	-	-	53	940	<b>993</b>	-	-	890	15,783	<b>16,673</b>
Net Block:										
As at December 31, 2014	551	36,725	3,000	364	<b>40,640</b>	13,086	872,219	71,250	8,645	<b>965,200</b>
As at December 31, 2015	2,346	36,725	3,000	302	<b>42,373</b>	39,389	616,613	50,370	5,070	<b>711,442</b>

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

	BRL-Thousands		INR-Thousands	
	As at December 31			
	2015	2014	2015	2014

**Note: 9-Long Term Loans and Advances:**

Deposits	<b>2,326</b>	1,946	<b>39,054</b>	46,218
<b>Total</b>	<b>2,326</b>	1,946	<b>39,054</b>	46,218

**Note: 10-Inventories:**

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

Classification of Inventories:				
Raw Materials	<b>4,561</b>	4,178	<b>76,579</b>	99,228
Work-in-progress	<b>2,812</b>	3,136	<b>47,213</b>	74,480
Finished Goods	<b>3,410</b>	2,840	<b>57,254</b>	67,450
Stock-in-Trade	<b>7,611</b>	3,461	<b>127,789</b>	82,199
Others:				
Packing Materials	<b>706</b>	643	<b>11,854</b>	15,271
<b>Total</b>	<b>19,100</b>	14,258	<b>320,689</b>	338,628

**Note: 11-Trade Receivables:**

[Unsecured]

Outstanding for a period exceeding six months from the date they are due for payment:				
Considered good	-	-	-	-
Considered doubtful	<b>539</b>	321	<b>9,050</b>	7,624
	<b>539</b>	321	<b>9,050</b>	7,624
Less: Provision for doubtful debts	<b>539</b>	321	<b>9,050</b>	7,624
	-	-	-	-
Others- Considered good	<b>30,317</b>	23,141	<b>509,022</b>	549,599
<b>Total</b>	<b>30,317</b>	23,141	<b>509,022</b>	549,599

**Note: 12-Cash and Bank Balances :**

Balances with Banks [*]	<b>17,070</b>	12,449	<b>286,605</b>	295,664
Cash on Hand	<b>8</b>	7	<b>134</b>	166
<b>Total</b>	<b>17,078</b>	12,456	<b>286,739</b>	295,830
[*] Includes bank deposits with maturity of more than 12 months	<b>13,101</b>	11,763	<b>219,966</b>	279,371

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

	BRL-Thousands		INR-Thousands	
	As at December 31			
	2015	2014	2015	2014
<b>Note: 13-Short Term Loans and Advances:</b>				
[Unsecured, Considered Good]				
Balances with Revenue Authorities	289	250	4,852	5,938
Advances to Suppliers	17	10	285	238
Advances to Employees	282	397	4,735	9,429
<b>Total</b>	<b>588</b>	<b>657</b>	<b>9,872</b>	<b>15,605</b>
<b>Note: 14-Other Current Assets:</b>				
Prepaid Expenses	234	182	3,929	4,323
<b>Total</b>	<b>234</b>	<b>182</b>	<b>3,929</b>	<b>4,323</b>
	BRL-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
<b>Note: 15-Revenue from Operations:</b>				
Details of Gross Sales under broad heads:				
Pharma Products	102,443	88,600	1,995,590	2,300,942
Total	102,443	88,600	1,995,590	2,300,942
Other Operating Revenues:				
Reversal of Provision for expense	2,504	152	48,778	3,947
Total	2,504	152	48,778	3,947
<b>Note: 16-Other Income:</b>				
Interest Income [Gross]:				
From Others [Other than long term/ current investments]	1,623	1,241	31,616	32,229
Net Gain on sale of Fixed Assets	4	4	78	104
Miscellaneous Income	124	63	2,416	1,636
<b>Total</b>	<b>1,751</b>	<b>1,308</b>	<b>34,110</b>	<b>33,969</b>
<b>Note: 17-Cost of Materials Consumed:</b>				
Raw Materials:				
Stock at commencement	4,178	2,770	99,228	73,460
Add: Purchases	12,605	12,431	245,545	322,833
	16,783	15,201	344,773	396,293
Less: Stock at close	4,561	4,178	76,579	99,228
	12,222	11,023	268,194	297,065
Packing Materials consumed	2,431	1,562	47,356	40,565
<b>Total</b>	<b>14,653</b>	<b>12,585</b>	<b>315,550</b>	<b>337,630</b>
<b>Note: 18-Purchase of Stock-in-Trade:</b>				
Purchase of Stock-in-Trade [Pharma Products]	29,484	15,324	574,348	397,964
<b>Total</b>	<b>29,484</b>	<b>15,324</b>	<b>574,348</b>	<b>397,964</b>
<b>Note: 19-Changes in Inventories:</b>				
Stock at commencement:				
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
Less: Stock at close:				
Work-in-progress	2,812	3,136	47,213	74,480
Finished Goods	3,410	2,840	57,254	67,450
Stock-in-Trade	7,611	3,461	127,789	82,199
	13,833	9,437	232,256	224,129
<b>Total</b>	<b>(4,396)</b>	<b>1,599</b>	<b>(8,127)</b>	<b>68,546</b>
<b>Note: 20-Employee Benefits Expense:</b>				
Salaries and wages	15,759	13,645	306,985	354,361
Contribution to provident and other funds	5,646	4,571	109,984	118,709
Staff welfare expenses	2,954	2,133	57,544	55,394
<b>Total</b>	<b>24,359</b>	<b>20,349</b>	<b>474,513</b>	<b>528,464</b>
<b>Note: 21-Finance Cost:</b>				
Interest expense [*]	2,111	3,361	41,122	87,285
Bank commission & charges	354	400	6,896	10,388
<b>Total</b>	<b>2,465</b>	<b>3,761</b>	<b>48,018</b>	<b>97,673</b>
[*] The break up of interest expense in to major heads is given below:				
On working capital loans	340	2,134	6,623	55,420
Others	1,771	1,227	34,499	31,865
Total	2,111	3,361	41,122	87,285

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Notes to the Financial Statements**

	BRL-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
<b>Note: 22-Other Expenses:</b>				
Consumption of Stores and spare parts	345	291	6,721	7,557
Power & Fuel	248	94	4,831	2,441
Rent	925	839	18,019	21,789
Repairs to Buildings	403	345	7,850	8,960
Repairs to Plant and Machinery	777	578	15,136	15,011
Repairs to Others	1,211	1,011	23,590	26,256
Insurance	228	253	4,441	6,570
Rates and Taxes [excluding taxes on income]	809	1,106	15,759	28,723
Traveling Expenses	873	727	17,006	18,880
Legal and Professional Fees	3,779	2,590	73,615	67,262
Net Loss on foreign currency transactions	4,016	1,036	78,232	26,905
Commission on sales	5,302	5,020	103,283	130,369
Freight and forwarding on sales	2,218	1,654	43,207	42,954
Seminar, Conference and Exhibition expenses	411	423	8,006	10,985
Other marketing expenses	14,250	11,890	277,590	308,783
Allowances for tax, civil & labour risk	2,400	2,173	46,752	56,433
Analytical Expenses	1,710	1,014	33,310	26,334
Miscellaneous Expenses [*]	11,255	4,497	219,247	116,787
<b>Total</b>	<b>51,160</b>	<b>35,541</b>	<b>996,595</b>	<b>922,999</b>
[*] Miscellaneous Expenses include Payment to the auditors as Auditor	165	406	3,214	10,544
<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	(12,620)	(790)	(353,451)	(58,332)
B Basic and weighted average number of quotas outstanding during the year	120,400,974	110,867,217	120,400,974	110,867,217
	<b>BRL</b>		<b>INR</b>	
C Nominal value	1	1	(2.94)	(0.53)
D Basic & Diluted EPS	(0.10)	(0.01)	(2.94)	(0.53)
<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]			
Alidac Pharmaceuticals Limited [Earlier Known as 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]	Laboratorios Combix S.L. [Spain]			
<b>e Directors:</b>	Mr. Ashok Bhatia	Mr. Luiz Eduardo Violland		
	Mr. Donald Renison			



**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	BRL-Thousands		INR-Thousands		Value of Transaction			
	Holding Company		Ultimate Holding Company		Year ended December 31			
	2015	2014	2015	2014	2015	2014	2015	2014
Purchase of Goods			-	-	29,484	15,311	574,348	397,627
Purchase of Services			-	-	-	47	-	1,218
Issue of Share Capital	9,865	31,559	165,633	760,750				
Outstanding- Payables					15,631	4,510	262,444	117,125

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 12, 2016

Director

**ZYDUS NIKKHO FARMACEUTICA LTDA.**

**Cash Flow Statement for the year ended December 31, 2015**

Particulars	BRL-Thousands		INR-Thousands	
	Year ended December 31			
	2015	2014	2015	2014
<b>A Cash flows from operating activities:</b>				
Loss before tax	(12,262)	(432)	(346,477)	(49,036)
Adjustments for:				
Depreciation, Amortisation and Impairment expenses	1,235	1,333	24,058	34,618
Loss [Profit] on sale of assets [Net]	(4)	(4)	(78)	(104)
Interest income	(1,623)	(1,241)	(31,616)	(32,229)
Interest expenses	2,111	3,361	41,122	87,285
Other provisions	(149)	2,173	(2,903)	56,433
Total	1,570	5,622	30,583	146,003
Operating profit before working capital changes	(10,692)	5,190	(315,894)	96,967
Adjustments for:				
Decrease/ [Increase] in trade receivables	(7,176)	(2,548)	(139,788)	(66,172)
Decrease/ [Increase] in inventories	(4,842)	104	(94,322)	2,701
Decrease/ [Increase] in short term advances	76	(120)	1,480	(3,116)
Decrease/ [Increase] in long term advances	(380)	(292)	(7,402)	(7,583)
Decrease/ [Increase] in other current assets	(52)	8	(1,013)	208
Increase/ [Decrease] in trade payables	11,255	54	219,247	1,402
Increase/ [Decrease] in other current liabilities	2,765	367	53,862	9,531
Increase/ [Decrease] in other long term liabilities	1,528	1,176	29,765	30,541
Total	3,174	(1,251)	61,829	(32,488)
Net cash from [used] operating activities	(7,518)	3,939	(254,065)	64,479
<b>B Cash flows from investing activities:</b>				
Purchase of fixed assets	(3,784)	(1,607)	(73,712)	(41,734)
Proceeds from sale of fixed assets	37	48	721	1,247
Interest received	1,623	1,241	31,616	32,229
Net cash used [from] in investing activities	(2,124)	(318)	(41,375)	(8,258)
<b>C Cash flows from financing activities:</b>				
Proceeds from Issuance of Share Capital	9,865	31,559	192,170	819,587
Repayment of Long Term Borrowings		(2,250)	-	(58,433)
Short Term Borrowings [Net]	6,510	(31,624)	126,815	(821,275)
Interest paid	(2,111)	(3,361)	(41,122)	(87,285)
Net cash used [from] in financing activities	14,264	(5,676)	277,863	(147,406)
<b>Net increase in cash and cash equivalents</b>	<b>4,622</b>	<b>(2,055)</b>	<b>(17,577)</b>	<b>(91,185)</b>
<b>Increase/ [Decrease] due to the translation to INR [Refer Note-3]</b>	<b>-</b>	<b>-</b>	<b>8,486</b>	<b>2,183</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,456</b>	<b>14,511</b>	<b>295,830</b>	<b>384,832</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>17,078</b>	<b>12,456</b>	<b>286,739</b>	<b>295,830</b>

**Notes to the Cash Flow Statement**

- All figures in brackets are outflows.
- Previous year's figures have been regrouped wherever necessary.
- 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 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

Director