RANBAXY – PRP (PERU) S.A.C.

Financial statements for period 1 January 2013 to 31 March 2014

and Independent Auditors´ Report

Content

Peruvian currency: Nuevo Sol (S/.)

Foreign currency : US Dollar (USD)

INDEPENDENT AUDITORS´ REPORT

To Shareholders and Directors Board

We have audited the accompanying financial statements of **Ranbaxy – PRP (Peru) S.A.C.** (hereinafter, the Company) a subsidiary of Ranbaxy (Netherlands) B.V., located in Netherlands, which comprise the statement of financial position as at 31 March 2014 and 31 December 2012, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the periods then ended, and summary of significant accounting policies and other explanatory information.

Management´s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles in Peru, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor´s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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´ judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity´s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the entity´s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITORS´ REPORT (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 21 to the financial statements, the Company has suffered recurring losses and has a net capital deficiency. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 21. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **Ranbaxy – PRP (Peru) S.A.C.** as at 31 March 2014 and 31 December 2012, and its financial performance and cash flows for the periods then ended in accordance with generally accepted accounting principles in Peru.

16 April 2014

Lima, Peru

Mario Navarrete (Partner)
Certified Public Accountant
Matriculation N° 31092

RANBAXY

RANBAXY - PRP (PERU) S.A.C., CALLE 2 DE MAYO N° 534 OFICINA 402 - MIRAFLORES - LIMA 18 TELF.: (51-1) 717-4830 FAX: (51-1) 718-4326

DIRECTORS REPORT

Your Directors have the pleasure in presenting the Financial Statements for the year ended 31st March 2014

General Balance at March 31, 2014		
	Nuevo Soles.	INR
Assets		
Current		
Cash & Bank	2,094,455	44,468,259
Commercial Accounts receivable	755,534	16,041,062
Receivable – Related party	56,189	1,192,972
Other Accounts receivable	54,521	1,157,558
Inventory	383,832	8,149,299
Taxes to recover	911,761	19,357,983
Total Current Assets	**4,256,292**	**90,367,133**
Transportation units, furniture and equipment, net Fixed assets	18,305	388,641
Deferred taxes		
Total Assets	**4,274,597**	**90,755,774**
Liabilities		
Current		
Commercial Accounts payable	3,596,640	76,361,783
Other accounts payable	1,839,072	39,046,115
Total Current Liabilities	**5,435,712**	**115,407,898**
Shareholders funds		
Social Capital	4,342,017	92,187,197
Legal reserve	103,698	2,201,656
Accumulated results	-5,606,830	-119,040,977
Net Shareholders funds	**-1,161,115**	**-24,652,124**
Total Liabilities plus Shareholders funds	**4,274,597**	**90,755,774**

Profit and Loss Statement March 31, 2014	**Nuevo Soles.**	**INR**
Net sales	4,694,526	102,054,913
Cost of Sales	-2,975,967	-64,694,935
Gross Margin	**1,718,559**	**37,359,978**
Operative Expenses:		
Administrative expenses	-,1542,640	-33,535,652
Selling expenses	-852,506	-18,532,739
Operating (Loss) / Gain	**-676,587**	**-14,708,413**
Other revenues (expenses):		
Financial expenses, net	-6,176	-134,261
Ex-change rate difference, net	-446,801	-9,713,065
Other revenues (expenses), net	87,028	1,891,913
(Loss) /Gain before the participation of employees & taxes	**-1,042,536**	**-22,663,826**
Income Tax-Current		
Income Tax-Deferred		
(Loss)/Gain net	**-1,042536**	**-22,663,826**

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Dividend

No Dividend have been declared for the year.

Changes in Capital Structure

There was No Changes to the Capital Structure of the Company in 2014.

Directors

The Board constitutes of -
Alok Kapoor , Regional Director APAC & LATAM
Sethuraman Viswanathan, Finance Director – LATAM

Acknowledgement

The Directors wish to acknowledge with thanks all Employees and other stakeholders for their valuable sustained support and encouragement and look forward to continued support in the years ahead.

Alok Kapoor
Regional Director APAC & LATAM

Sethuraman Viswanathan
Finance Director LATAM

Dated : April 19th, 2014

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RANBAXY – PRP (PERU) S.A.C.
Statement of financial position
As at 31 March 2014 and as at 31 December 2012

	Notes	March 2014 S/.	December 2012 S/.
Assets			
Current assets			
Cash and cash equivalents	4	2,094,455	4,017,487
Trade accounts receivable	5	755,534	4,282,010
Receivable – Related party	20	56,189	-
Other accounts receivable	6	54,521	61,204
Inventories	7	383,832	1,229,215
Recovery taxes	8	911,761	635,939
Prepaid expenses		-	24,261
Total current assets		4,256,292	10,250,116
Property, plant and equipment	9	18,305	44,856
Total assets		4,274,597	10,294,972

	Notes	March 2014 S/.	December 2012 S/.
Liabilities and Equity			
Current liabilities			
Trade accounts payable	11	3,596,640	8,532,808
Other accounts payable	12	1,839,072	1,880,743
Total current liabilities		5,435,712	10,413,551
Equity			
Share capital	13	4,342,017	4,342,017
Legal reserve	13	103,698	103,698
Accumulated losses	13	(5,606,830)	(4,564,294)
Total Equity		(1,161,115)	(118,579)
Total Liabilities and Equity		4,274,597	10,294,972

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.
Statement of financial position
As at 31 March 2014 and as at 31 December 2012

	Notes	March 2014 INR	December 2012 INR
Assets			
Current assets			
Cash and cash equivalents	4	44,468,259	86,096,869
Trade accounts receivable	5	16,041,062	91,765,737
Receivable – Related party	20	1,192,972	-
Other accounts receivable	6	1,157,558	1,311,634
Inventories	7	8,149,299	26,342,727
Recovery taxes	8	19,357,983	13,628,509
Prepaid expenses		-	519,926
Total current assets		90,367,133	219,665,402
Property, plant and equipment	9	388,641	961,288
Total assets		90,755,774	220,626,690

	Notes	March 2014 INR	December 2012 INR
Liabilities and Equity			
Current liabilities			
Trade accounts payable	11	76,361,783	182,862,584
Other accounts payable	12	39,046,115	40,305,316
Total current liabilities		115,407,898	223,167,900
Equity			
Share capital	13	92,187,197	93,051,719
Legal reserve	13	2,201,656	2,222,303
Accumulated losses	13	(119,040,977)	(97,815,232)
Total Equity		(24,652,124)	(2,541,210)
Total Liabilities and Equity		90,755,774	220,626,690

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.
Statement of profit and loss
for period of 1 January 2013 to 31 March 2014 and
year then ended 31 December 2012

	Notes	March 2014 S/.	December 2012 S/.
Revenues		4,694,526	15,043,256
Cost of sales	15	(2,975,967)	(9,634,538)
Gross profit		1,718,559	5,408,718
Administrative expenses	16	(1,542,640)	(3,930,742)
Selling expenses	17	(852,506)	(5,353,919)
Operating (loss)/profit		(676,587)	3,875,943
Other income, net	18	87,028	398,539
Financial expenses, net	19	(6,176)	(28,586)
Exchange differences, net	19	(446,801)	456,921
Loss before income tax		(1,042,536)	(3,049,069)
Income tax	10	-	(510,898)
Net loss		(1,042,536)	(3,559,967)

RANBAXY – PRP (PERU) S.A.C.
Statement of profit and loss
for period of 1 January 2013 to 31 March 2014 and
year then ended 31 December 2012

	Notes	March 2014 INR	December 2012 INR
Revenues		102,054,913	304,519,352
Cost of sales	15	(64,694,935)	(195,031,134)
Gross profit		37,359,978	109,488,219
Administrative expenses	16	(33,535,652)	(79,569,676)
Selling expenses	17	(18,532,739)	(108,378,927)
Operating (loss)/profit		(14,708,413)	(78,460,385)
Other income, net	18	1,891,913	8,067,591
Financial expenses, net	19	(134,261)	(578,664)
Exchange differences, net	19	(9,713,065)	9,249,413
Loss before income tax		(22,663,826)	(61,722,045)
Income tax	10	-	(10,342,065)
Net loss		(22,663,826)	(72,064,109)

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.
Statement of changes in equity
for period of 1 January 2013 to 31 March 2014 and
the year then ended 31 December 2012

	Number of Shares (In units)	Share Capital S/.	Legal Reserve S/.	Accumulated Losses S/.	Total S/.
Balance at 1° January 2012	4,129,977	4,342,017	103,698	(1,004,327)	3,441,388
Net loss	-	-	-	(3,559,967)	(3,559,967)
Balance at 31 December 2012	4,129,977	4,342,017	103,698	(4,564,294)	(118,579)
Net loss	-	-	-	(1,042,536)	(1,042,536)
Balance at 31 March 2014	4,129,977	4,342,017	103,698	(5,606,830)	(1,161,115)

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.
Statement of changes in equity
for period of 1 January 2013 to 31 March 2014 and
the year then ended 31 December 2012

	Number of Shares (In units)	Share Capital INR	Legal Reserve INR	Accumulated Losses INR	Total INR
Balance at 1° January 2012	4,129,977	92,187,197	2,201,656	(21,323,291)	(73,065,563)
Net loss	-	-	-	(75,583,163)	(75,583,163)
Balance at 31 December 2012	4,129,977	92,187,197	2,201,656	(96,906,454)	(2,517,601)
Net loss	-	-	-	(22,134,522)	(22,134,522)
Balance at 31 March 2014	4,129,977	92,187,197	2,201,656	(119,040,977)	(24,152,623)

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.
Statement of changes in equity
for period of 1 January 2013 to 31 March 2014 and
the year then ended 31 December 2012

	March 2014	December 2012
	S/.	S/.
Operating activities		
Collecting	9,066,017	20,653,854
Other incomes	13,826	16,669
Payment to suppliers	(9,428,455)	(14,399,978)
Payments of salary and social benefits	(976,390)	(4,325,598)
Payments of taxes	(145,837)	(170,635)
Other payments	(5,392)	(3,285)
Net cash flow (used in) provided by operating activities	(1,476,231)	1,771,027
Investing activities		
Acquisitions of property, plant and equipment	-	-
Net cash flow used in investing activities	-	-
Financing activities		
Borrowing from shareholder	-	1,403,050
Amortization of borrowings	-	(1,404,500)
Net cash flow (used in) financing activities	-	(1,450)
Exchange differences, net	(446,801)	456,921
(Decrease) /Increase in cash	(1,923,032)	2,226,498
Cash and cash equivalents at beginning of period	4,017,487	1,790,989
Cash and cash equivalents at final of period	2,094,455	4,017,487

RANBAXY – PRP (PERU) S.A.C.
Statement of changes in equity
for period of 1 January 2013 to 31 March 2014 and
the year then ended 31 December 2012

	March 2014 INR	December 2012 INR
Operating activities		
Collecting	192,484,437	442,623,004
Other incomes	293,546	357,225
Payment to suppliers	(200,179,512)	(308,599,137)
Payments of salary and social benefits	(20,730,149)	(92,699,851)
Payments of taxes	(3,096,327)	(3,656,798)
Other payments	(114,480)	(70,399)
Net cash flow (used in) provided by operating activities	(31,342,484)	37,954,044
Investing activities		
Acquisitions of property, plant and equipment	-	-
Net cash flow used in investing activities	-	-
Financing activities		
Borrowing from shareholder	-	30,068,103
Amortization of borrowings	-	(30,099,177)
Net cash flow (used in) financing activities	-	(31,074)
Exchange differences, net	(9,486,221)	9,792,058
(Decrease) /Increase in cash	(40,828,705)	47,715,029
Cash and cash equivalents at beginning of period	85,296,964	38,381,841
Cash and cash equivalents at final of period	44,468,259	86,096,869

	March 2014	December 2012
	S/.	S/.
Reconciliation of net loss to cash flow (used in)/provided by operating activities		
Net loss	(1,042,536)	(3,559,967)
Adjustments:		
Depreciation	16,545	25,271
Allowances of doubtful accounts	330,552	-
Allowances of impairment of inventories	60,000	914,995
Exchange difference, net	446,801	(456,921)
Deferred tax assets	-	510,898
Net changes in assets and liabilities		
Decrease in Trade accounts receivables	3,526,476	2,902,812
Decrease in Receivable – related party	-	17,912
(Increase) Other accounts receivable	(49,506)	(50,048)
Decrease un Inventories	845,383	1,738,432
(Increase) in Recovery taxes	(275,822)	(395,661)
Decrease in Prepaid expenses	24,261	42,085
(Decrease) increase in Trade accounts payable	(4,936,168)	469,994
(Decrease) in Other accounts payable	(422,217)	(388,775)
Net cash flow (used in) provided by operating activities	(1,476,231)	1,771,027

See accompanying notes to the financial statements

	March 2014	December 2012
	INR	INR
Reconciliation of net loss to cash flow (used in)/provided by operating activities		
Net loss	(22,134,522)	(76,291,974)
Adjustments:		
Depreciation	351,274	541,571
Allowances of doubtful accounts	7,018,089	-
Allowances of impairment of inventories	1,273,885	19,608,826
Exchange difference, net	9,486,221	(9,792,058)
Deferred tax assets	-	10,948,814
Net changes in assets and liabilities		
Decrease in Trade accounts receivables	74,872,102	62,208,795
Decrease in Receivable – related party	-	383,864
(Increase) Other accounts receivable	(1,051,083)	(1,072,555)
Decrease un Inventories	17,948,684	37,255,516
(Increase) in Recovery taxes	(5,856,093)	(8,479,224)
Decrease in Prepaid expenses	515,096	901,904
(Decrease) increase in Trade accounts payable	(104,801,868)	10,072,220
(Decrease) in Other accounts payable	(8,964,268)	(8,331,654)
Net cash flow (used in) provided by operating activities	(31,342,484)	37,954,044

See accompanying notes to the financial statements

1. CORPORATE INFORMATION

Ranbaxy – PRP (Peru) S.A.C. (hereinafter, the Company), was incorporated on December 1999, at Lima, Peru, under the Societies Act. Company started operations in 1999 and it's a subsidiary of Ranbaxy (Netherlands) B.V., located at Netherlands, which has 95% of shares.

Legal address of Company is at 534 Dos de Mayo Avenue, District of Miraflores, Lima, Peru.

Description of operations

The company is authorized to perform activities such as manufacturing, preparing, packaging, purchasing, selling, distribution, import, export and trading healthcare consumer products, medical instruments, hospital supplies and animal healthcare products. Currently, the company imports and trades human healthcare consumer products, mainly, antibiotics, cardiovascular products and retroviral, mostly in the local market.

Approval of financial statements

Financial statements as at 31 December 2012 were approved by General Meeting of Shareholders dated 21 March 2013.

Financial statements as at 31 March 2014 has been issued with the authorization of the Company's Management on 10 April 2014, and will submitted for approval to the Board of Directors and the General Meeting of Shareholders within the deadlines established by law. In opinion of Management, the Board of Directors and General Meeting of Shareholders will approve these financial statements without changes.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied by the Company in the record of operations, as well as in the preparation and presentation of financial statements are as follows:

a) Basis of preparation and presentation

The financial statements are prepared and presented in accordance with generally accepted accounting principles (GAAP) in Peru, which correspond to the international financial reporting standards (IFRS), international standards of accounting (IAS), standards issued by the Interpretations Committee IFRS (IFRIC), and the previous standards issued by the Interpretations Committee IAS (SIC), duly formalized by the Peruvian Accounting Standards Board (Consejo Normativo de Contabilidad in Spanish) through resolutions.

The Peruvian Accounting Standards Board is the Entity responsible in Peru for formalization of IFRS, including interpretations, through the issuance of resolutions.

Standards formalized by the Peruvian Accounting Standards Board at 31 December 2013 are the international current versions and correspond to IFRSs 01 to 13, IASs 01 to 41, IFRICs 01 to 20, and SICs 07 to 32 (except the superseded).

The preparation of financial statements in accordance with generally accepted accounting principles in Peru requires Management to make estimates and assumptions to determine the amounts of assets and liabilities and the amounts of revenues and expenses, and of contingent assets and liabilities at the date of the financial statements. If these estimates and assumptions vary in the future as a result of changes in circumstances and conditions under which they were based, the effect of such changes is recognized in profit or loss at the time such changes are identified and their effects.

The main estimates related to financial statements correspond: i) estimate of allowance for doubtful accounts; ii) allowances for impairment of inventories; iii) estimate of useful life assigned to property, plant and equipment; iii) the recoverability of income tax.

Management has exercised its critical judgment by apply accounting policies in preparing the financial statements, as described in the respective accounting policies.

b) Financial instruments

Financial instruments are defined as any contract resulting a financial asset and, by other hand, a financial liability or an equity instrument in another company.

The financial assets and liabilities included in the statement of financial position are: i) cash and cash equivalents, ii) accounts receivable, iii) accounts payable. The accounting policies for recognition and measurement are described in the corresponding notes of accounting policies.

Financial instruments are classified as assets, liabilities or equity instrument, according to the substance of any contractual arrangement from which they originate. Interests, profit and losses generated by a financial instrument classified as a liability, are recorded as expenses or earnings in the Statement of profit and loss. Financial instruments are offset when the Company has a legal right to do so and Management intends to pay them on a net basis, or to realize the asset and pay the liability simultaneously.

In the opinion of management, the balances of financial assets and liabilities at 31 March 2014 do not differ significantly from their fair values on the market.

c) Foreign currency transactions

- *Functional currency and presentation currency,* Company prepares and presents its financial statements in Nuevos Soles, which corresponds to its functional currency. The functional currency corresponds to primary economic environment in which the Company operates.

- *Transactions and balances,* transactions in currencies other than the functional currency are translated into the functional currency at the exchange rate prevailing at the date of the transactions. Balances in foreign currency have been valued according to the stated in note 3. Differences due to adjustment of balances of assets and liabilities in foreign currencies, recorded at exchange rate when operations arise and exchange rate at the date of balance sheet are recognized in the results of period.

d) Cash and cash equivalent

Cash and cash equivalent comprise cash at banks and on hand.

e) Trade accounts receivable

Trade accounts receivable are recognized at nominal value, net of the estimate of provision of doubtful accounts. Provision of doubtful accounts is determined when there is objective evidence that the Company cannot recover the full receivables under the commercial terms originally established, taking into account an individual assessment of each case, aging of debts, the situation of customer, economic environment, and the judgment and experience of management.

Management reviews periodically the provision of doubtful accounts in order to adjust, if necessary, such provision.

f) Inventory

Inventories are recorded at lower of than the cost or net realizable value. The cost has been determined using the weighted average cost method. Inventories in transit are recorded at cost, using the specific identification method.

The net realizable value is the selling price estimated in the normal course of operations less relevant selling expenses.

The estimate for impairment of inventories is determined specifically according to whether there is obsolete merchandise and not proper for sale and, according to analysis of the management. This estimate is charged to profit and loss.

g) Fair value

The fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transactions. The values of the main financial instruments of the Company correspond to current assets and liabilities whose amounts are similar to fair value due to their short-term maturity.

Fair value is a market-based measurement. Due to that, an asset support its fair value based on that a financial instrument is marketable in a free and active market.

When a price for an identical asset or liability is not observable, an entity measures fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Amount of cash and cash equivalents correspond to its fair value. Company considers that Accounts receivable and Accounts payable are similar to its fair value due to short-term maturities.

h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any.

The initial cost comprises its purchase price, and any other costs directly attributable to locating and rendering the assets fit to use. Disbursements incurred after assets have been put to use, such as repairs and the cost of maintenance and refurbishments are charged to results of period in which the costs are incurred. If it can be demonstrated clearly that such disbursement will result in future benefits deriving from use assets beyond their original performance standard, these are capitalized as an additional cost to assets.

Repairs and maintenance costs are recognized in the results of period as incurred. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit and loss when the asset is derecognized.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Vehicles	20 %
Furniture	10 %
Computer equipment	20 %
Other equipment	10 %

i) Impairment loss

Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, Company estimates the asset's recoverable amount.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognized in the Statement of profit and loss.

j) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognized as an operating expense in Statement of profit and loss on a straight-line basis over the lease term.

Leases in which Company does not receive substantially all the risks and benefits of ownership of an asset are classified as operating leases.

k) Trade accounts payable

The trade payables are obligations to pay for goods or services purchased from suppliers in the normal course of business. Accounts payable are classified as current liabilities if payment should be made within a year or less, otherwise, are presented as non-current liabilities.

l) Provisions

Provisions are recognized when Company has a present obligation (legal o constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed every fiscal year and adjusted to reflect the best estimate available as at reporting date. When the effect of the value of money in the time is significant, the provision is the present value of the disbursement expected to be incurred to pay.

m) Income tax

Current income tax

Current income tax is calculated based on taxable net profit, which is determined according to current tax rules, and it may be different to accounting principles.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except for certain circumstances as business combinations and related parties.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except for certain circumstances as business combinations and related parties.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

n) Contingencies

Contingent liabilities are not recognized in the financial statements. These are revealed in a note to the financial statements, unless there is little likelihood of cash flow resulting.

Contingent assets are not recorded in the financial statements, but are revealed when it is probable that cash flow occurs.

Items treated previously as contingent liabilities or contingent assets, should be recognized in the financial statements of the period in which occurs the change of probabilities, i.e. when in the case of liabilities is determined to be likely or virtually safe in case of assets.

o) Employee benefits

Employee profit sharing

Company recognizes a provision related to Employee profit sharing, based on taxable profit before income tax. This Employee profit sharing is calculated based on to apply a rate over taxable profit before income tax. This provision is recognized as part of personnel expenses, based on function of workers.

Termination benefits

Termination benefits are paid when labor relation is interrupted before date of retirement o when an employee resigns voluntarily. Benefits with maturity in exceed 12months after reporting date, are discounted to present value.

Gratifications

Company recognizes gratifications and it is corresponds provisions based on current labor dispositions in Peru. Gratifications correspond to an amount equivalent to two salaries in a year to be paid on July and December in each year.

p) Recognition of revenue, costs and expenses

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

The specific recognition criteria described below must also be met before revenue is recognized.

Sales of goods

Revenue from sales of goods are recognized in the results of period when goods are delivered and risk and benefits related of products are transferred to the customer and it is probable that the economic benefits associated to transaction will flow to the Company.

Costs and expenses

The cost of sales is recorded in the results of period when goods are delivered at the same time when revenues are recognized. Expenses are recorded in the results of period when accrual, without consider when they are paid.

q) International Financial Reporting Standards (IFRS)

Current IFRS in Peru as at 31 December 2013

Based on Resolution N° 052-2013-EF/30 issued 24 January 2013, the Peruvian Accounting Standards Board formalized modifications to IFRS 10 and IFRS 12, and IAS 27, likewise, through Resolution N° 053-2013-EF/30 issued 11 September 2013, formalized IFRIC 21 and version 2013 of IFRS and IFRIC in force.

IFRSs issued but not yet effective at 31 December 2013

- IAS 31 "Financial instruments: Presentation (modified), effective since 1st January 2014.
- IAS 39 "Financial instruments: Recognize and Measurement (modified), effective since 1st January 2014.
- IFRS 9 "Financial instruments: Classification and Measurement" effective pending to be established.
- IFRIC 21 "Levies" effective since 1st January 2014.
- Modifications to IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of interests in other entities", and IAS 27 "Consolidated and separate financial statements", effective since 1st July 2014.
- Improvements IFRS 1 "First-time adoption of IFRS", IFRS 2 "Share-based payment", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IFRS 13 "Fair value measurement", IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures", IAS 38 "Intangible assets", IAS 40 "Investment property", effective since 1st July 2014.

3. MANAGEMENT OF FINANCIAL RISKS

Company is exposed to a variety of financial risks. The Company´s Management manages risks and focuses mainly on the financial markets in order to reduce potential negative effects on the financial performance of Company.

Market Risk

Exchange rate risk

Company bills sales in US Dollars, allowing comply its obligations in this currency. The exchange rate risk arise from accounts receivable related to sales in foreign currency, and accounts payable that are kept in such currency. In this respect, Company keeps a net liability position, due to, mainly, to payables related to liabilities in foreign currency.

At the end of period, balances of financial assets and liabilities denominated in foreign currency are expressed in local currency at exchange rate of purchase and sales according to Pension Fund, Insurance and Bank Peruvian Superintendence (SBS) existing at that date, which was S/. 2.809 for purchase and S/. 2.811 for sales (S/. 2.549 for purchase and S/. 2.551 for sales at 31 December 2012) for 1 USD and summarized as follows:

	2014 USD	**2012 USD**
Activos corrientes	658,185	780,013
Pasivos corrientes	(1,821,600)	(3,860,895)
Posición pasiva, neta	(1,163,415)	(3,080,882)

	2014 INR	**2012 INR**
Activos corrientes	39,412,275	42,623,661
Pasivos corrientes	(109,077,844)	(210,977,869)
Posición pasiva, neta	(69,665,569)	(168,354,208)

In period 1 January 2013 to 31 March 2014, Company recognized net loss of exchange difference of S/. 446,801 INR 9,713,065 (net gains of exchange difference of S/. 456,921 INR 9,249,413 in 2012).

Devaluation (revaluation) of Nuevos Soles in relation to US Dollar, calculated on the basis of the exchange rate of purchase and sales published by SBS and inflation (deflation) rates according to the Whole Sales Price Index (IPM) in the past three years was as follows:

Periodo	**Devaluación (Revaluación) %**	**Inflación (Deflación) %**
Enero 2013 – Marzo 2014	10.19	2.16
2012	(5.56)	(0.59)
2011	(2.74)	6.26

Interest rate risk
Revenues and operating cash flows are independent of changes in interest rates.

Operating cash flows of Company are also substantially independent of changes in interest rates. Therefore, in opinion of management, Company has no important exposition to the risks of fluctuations in interest rates.

Credit risk
Financial assets of Company potentially exposed to significant concentrations of credit risk consist of trade accounts receivable.

In this respect, Management considers that average collections period limit risk related due to no major problem of doubtful accounts. Management monitors credit performance and financial condition of customers in order to identify possible risk related to credits. Therefore, in opinion of management, Company has no an important exposition of risk related to credits.

Liquidity risk
Company monitors its risk to a shortage of funds using a liquidity planning tool.

Management is prudent in relation to liquidity risk and keeps sufficient cash and cash equivalents.

At 31 March 2014, financial liabilities have maturities minor than 30 days and they are supported by cash flows provided by current operations.

4. CASH AND CASH EQUIVALENTS

This item comprises:

	March 2014 S/.	**December 2012 S/.**
Cash on hand	3,000	397
Cash at banks	1,710,632	2,295,055
Guarantee account	380,823	1,722,035
	2,094,455	4,017,487

	March 2014 INR	**December 2012 INR**
Cash on hand	63,694	8,508
Cash at banks	36,319,151	49,184,241
Guarantee account	8,085,414	36,904,120
	44,468,259	86,096,869

Cash at banks earns interest at rates based on daily bank deposits rates. Current accounts correspond to balances held in local banks, in local and foreign currencies, and freely available.

Guarantee account corresponds to support of credit letter for imports.

5. TRADE ACCOUNTS RECEIVABLE

This item comprises:

	March 2014 S/.	December 2012 S/.
Invoices	1,733,486	4,661,809
Notes	383,493	651,094
	2,116,979	5,312,903
Less: Allowances for doubtful accounts	(1,361,445)	(1,030,893)
	755,534	4,282,010

	March 2014 INR	December 2012 INR
Invoices	36,804,374	99,905,030
Notes	8,142,102	13,953,288
	44,946,476	113,858,318
Less: Allowances for doubtful accounts	(28,905,414)	(22,092,582)
	16,041,062	91,765,737

Trade receivables are non-interest bearing and are generally on current maturities.

Allowances for doubtful accounts had the following movement:

	March 2014 S/.	December 2012 S/.
Beginning balance	1,030,893	1,169,634
Allowance for doubtful accounts	330,552	-
Written off	-	(138,741)
Final balance	1,361,445	1,030,893

	March 2014 INR	December 2012 INR
Beginning balance	22,074,797	23,115,296
Allowance for doubtful accounts	7,185,913	-
Written off	-	(2,808,522)
Final balance	29,260,710	20,306,774

In the opinion of Management, the allowances for doubtful accounts at 31 March 2014, determined according to the criteria indicated in note 2 (e), is sufficient to cover any potential losses arising from uncollectable trade receivables.

6. OTHER ACCOUNTS RECEIVABLE

This item comprises:

	March 2014 S/.	December 2012 S/.
Guarantee deposits	11,676	60,204
Claims of third parties	23,043	-
Others	19,802	1,000
	54,521	61,204

	March 2014 INR	December 2012 INR
Guarantee deposits	247,898	1,290,204
Claims of third parties	489,236	-
Others	420,425	21,431
	1,157,559	1,311,635

7. INVENTORY

This item comprises:

	March 2014 S/.	December 2012 S/.
Merchandise	410,247	1,926,735
Merchandise in transit	71,418	-
	481,665	1,926,735
Less: Allowances for impairment of merchandise	(97,833)	(697,520)
	383,832	1,229,215

	March 2014 INR	December 2012 INR
Merchandise	8,710,127	41,290,949
Merchandise in transit	1,516,306	-
	10,226,433	41,290,949
Less: Allowances for impairment of merchandise	(2,077,134)	(14,948,222)
	8,149,299	26,342,727

8. TAXES RECOVERABLE

This item comprises:

	March 2014 S/.	December 2012 S/.
Credit for income tax balance	246,767	186,470
Credit balance with temporary taxi on net assets	80,424	103,950
Tax credit for general sales tax	584,570	345,519
	911,761	635,939

	March 2014 INR	December 2012 INR
Credit for income tax balance	5,239,214	3,996,151
Credit balance with temporary taxi on net assets	1,707,516	2,227,703
Tax credit for general sales tax	12,411,253	7,404,655
	19,357,983	13,628,509

9. PROPERTY, PLANT AND EQUIPMENT

This item comprises:

	March 2014					December 2012
	Vehicles S/.	Furniture S/.	Computer Equipment S/.	Other Equipment S/.	Total S/.	Total S/.
__Cost__						
Balance at the beginning	112,365	67,553	197,602	106,228	483,748	483,748
Acquisitions	-	-	-	-	-	-
Withdrawals or sales	(112,365)	(55,378)	(152,221)	(83,020)	(402,984)	-
Balance at final of period	-	12,175	45,381	23,208	80,764	483,748
__Depreciation__						
Balance at the beginning	112,365	58,601	180,583	87,343	438,892	413,619
Depreciation of period	-	2,005	10,179	4,360	16,544	25,271
Withdrawals or sales	(112,365)	(50,571)	(149,645)	(80,396)	(392,977)	2
Balance at final of period	-	10,035	41,117	11,307	62,459	438,892
Net value	-	2,140	4,264	11,901	18,305	44,856

10. PROPERTY, PLANT AND EQUIPMENT

This item comprises:

	March 2014					December 2012
	Vehicles INR	**Furniture INR**	**Computer Equipment INR**	**Other Equipment INR**	**Total INR**	**Total INR**
<u>Cost</u>						
Balance at the beginning	2,385,669	1,434,246	4,195,372	2,255,372	10,270,658	10,270,658
Acquisitions	-	-	-	-	-	-
Withdrawals or sales	(2,385,669)	(1,175,754)	(3,231,868)	(1,72,633)	(8,555,924)	-
Balance at final of period	-	258,493	963,503	492,739	1,714,735	10,270,658
<u>**Depreciation**</u>						
Balance at the beginning	2,385,669	1,244,183	3,834,034	1,854,416	9,318,301	8,781,720
Depreciation of period	-	42,569	216,115	92,569	351,253	536,539
Withdrawals or sales	(2,385,669)	(1,073,694)	(3,177,176)	(1,706,921)	(8,343,461)	42.46
Balance at final of period	-	213,057	872,972	240,064	1,326,093	9,318,301
Net value	-	45,435	90,531	252,675	388,641	952,357

At 31 March 2014 no items have been given in guarantee.

Company's Management review periodically residual value and useful life of items, and depreciation method, in order to ensure that they are according to economic benefit and useful life expectations. In opinion of Management, at 31 March 2014, no conditions exist that evidence any situation about impairment loss in property, plant and equipment.

11. INCOME TAX

During period January 2013 to March 2014, no items were identified related to determine temporary differences between accounting and tax basis.

	At 31 December 2012	**Adjustment**	**(Charge) / Credit to results**	**At 31 March 2014**
Deferred tax asset				
Temporary difference	-	-	-	-
	-	-	-	-

Details about income tax shows in Statement of profit and loss are as follows:

	March 2014 S/.	**December 2012 S/.**
Current (Note 14)	-	-
Deferred	-	(510,898)
	-	(510,898)

March **December**

	2014 INR	2012 INR
Current (Note 14)	-	-
Deferred	-	(10,948,814)
	-	(10,948,814)

12. **TRADE ACCOUNTS PAYABLE**

This item comprises:

	March 2014 S/.	December 2012 S/.
Invoices – third parties	24,164	101,062
Invoices – related party (Note 20)	3,572,476	8,431,746
	3,596,640	8,532,808

	March 2014 INR	December 2012 INR
Invoices – third parties	513,036	2,165,812
Invoices – related party (Note 20)	75,848,747	180,696,772
	76,361,783	182,862,584

Balance with related party corresponds to billing from Ranbaxy Laboratories Limited due to imports of goods, not bearing interest and uncollateralized.

13. **OTHER ACCOUNTS PAYABLE**

This item comprises:

	March 2014 S/.	December 2012 S/.
Borrowing from shareholder	1,546,050	1,403,050
Taxes and social contributions	9,245	57,174
Vacations	82,317	125,762
Provisions for severance indemnities	-	6,413
Claims from third parties	201,460	193,180
Others	-	95,164
	1,839,072	1,880,743

	March 2014 INR	December 2012 INR
Borrowing from shareholder	32,824,841	30,068,103
Taxes and social contributions	196,285	1,225,269
Vacations	1,747,707	2,695,146
Provisions for severance indemnities	-	137,434
Claims from third parties	4,277,282	4,139,949
Others	-	2,039,415
	39,046,115	40,305,316

14. NET EQUITY

Share capital

At 31 March 2014 and 31 December 2012 share capital consist of 4,129,977shares of S/. 1 nominal value each, duly authorized, issued and paid.

At 31 March 2014, Company has pending issue common shares by S/. 212,040 INR 4,501,911, tax free, which correspond to the balance of the adjustment by monetary correction accrued at 31 December 2004, subject to approval by the General Meeting of Shareholders.

At 31 March 2014 the composition of the shareholders in the capital of Company is as follows:

Porcentaje de participación Individual en el capital		Nº accionistas	% Participación
Hasta	1.00	1	0.0001
De	90.01 a 100.00	1	99.9999
		2	100.0000

Legal reserve

According to Corporation Act, at least 10% of net profit shall be transferred to legal reserve up to this reserve reaches 20% of paid capital. This reserve can be capitalized or used to offset or reduce accumulated losses; in any case, this reserve shall be refunded with future profits.

Accumulated losses

According to Legislative Decree N 945, Peruvian companies that agreed distribution of dividends or any way of allowance of profit, will withhold 4.1% based on amount to allowance of profit only if this payment it is in favor of foreign companies. There are no restrictions for remittances of dividends or capital repatriation by foreign investors.

15. TAX SITUATION

Company is subject to the Peruvian tax regime. The current income tax rate at reporting date is 30% on taxable profit after calculating the employee profit sharing, which, pursuant to the regulations, is calculated using a rate of 8%.

Natural persons and legal persons not domiciled in the Peru must pay an additional tax of 4.1% on the dividends from companies domiciled in Peru.

Taxable loss has determined as follow:

	January to March 2014 S/.	January to December 2013 S/.	January to December 2012 S/.
Loss before income tax	(144,903)	(897,633)	(3,049,069)
Add:			
Non deductible expenses	21,485	844,070	1,615,343
Less: Deductions	-	(44,721)	(1,368,777)
Taxable loss	(123,418)	(98,284)	(2,802,503)

	January to March 2014 S/.	January to December 2013 S/.	January to December 2012 S/.
Loss before income tax	(3,150,065)	(19,513,761)	(66,284,109)
Add:			
Non deductible expenses	467,065	18,349,348	35,116,152
Less: Deductions	-	(972,196)	(29,756,022)
Taxable loss	(2,683,000)	(2,136,609)	(60,923,978)

Taxable loss accrued at 31 December 2013 is S/. 2,528,631 INR 54,970,239 (S/. 2,430,347 INR 49,197,308 at 31 December 2012 and S/. 98,284 INR 2,131,974 in 2013).

For information purposes, estimated taxable loss in period Janu
ary to March 2014 has been S/. 123,418 INR 2,683,000. Therefore, estimated taxable loss for period January 2013 to March 2014 was S/. 221,702 INR 4,819,609

For income tax purposes, prices and amounts of transactions between related parties or made from, into or through low or no taxation countries or territories, must be provided with documentation and information in order to support methods and criteria applied in its determination. The Tax Administration is empowered to request this information from the Company. Company's

management and its legal advisors believe that, as a result of the application of these rules, will not emerge contingencies of importance for the Company at 31 Marche 2014.

Note that, in accordance to write-off disposition of Legislative Decree No. 1116, with effective date 1 August 2013, those rules are not applicable to the determination of the General Sales Tax.

The Tax Administration is empowered to review and, if applicable, correct the income tax and the General sales tax calculated by the Company in the last four years after the submission of Income tax return. Income tax returns and General tax sales returns correspond to 2009 to 2013 are subject to review by the Tax Administration.

Due to the possible interpretations that the Tax Administration can give to legal rules, it is not possible to determine up to date, if changes can occur or not they were obligations for Company, due to that any liability as result from tax revisions would be applied to the results in the year in which this is determined. In opinion of Company's management and its legal advisors, any eventual additional tax claim wouldn't be significant for financial statements at 31 March 2014.

16. COST OF SALES

This item comprises:

	March 2014 S/.	December 2012 S/.
Beginning balance of merchandise	1,926,735	3,544,439
Add (less):		
Purchase of merchandise	1,916,465	8,752,214
Write-off of merchandise	(385,568)	(735,380)
Final balance of merchandise	(481,665)	(1,926,735)
	2,975,967	9,634,538

	March 2014 INR	December 2012 INR
Beginning balance of merchandise	41,885,543	71,749,777
Add (less):		
Purchase of merchandise	41,662,283	177,170,324
Write-off of merchandise	(8,381,913)	(14,886,235)
Final balance of merchandise	(10,470,978)	(39,002,733)
	64,694,935	195,031,134

17. ADMINISTRATIVE EXPENSES

This item comprises:

	March 2014 S/.	December 2012 S/.
Personnel expenses	222,255	1,711,573
Services provided by third parties	676,437	908,625
Taxes	7,160	85,029
Other expenses	229,692	285,249
Depreciation	16,544	25,271
Allowances for doubtful accounts	330,552	-
Allowances for impairment of merchandise	60,000	914,995
	1,542,640	3,930,742

	March 2014 INR	December 2012 INR
Personnel expenses	4,831,630	34,647,227
Services provided by third parties	14,705,152	18,393,219
Taxes	155,652	1,721,235
Other expenses	4,993,304	5,774,271
Depreciation	359,652	511,559
Allowances for doubtful accounts	7,185,913	-
Allowances for impairment of merchandise	1,304,348	18,522,166
	33,535,651	79,569,677

18. SELLING EXPENSES

This item comprises:

	March 2014 S/.	December 2012 S/.
Personnel expenses	450,690	2,817,751
Services provided by third parties	368,734	2,097,360
Other expenses	33,082	438,808
	852,506	5,353,919

	March 2014 INR	December 2012 INR
Personnel expenses	9,797,609	57,039,494
Services provided by third parties	8,015,957	42,456,680
Other expenses	719,174	8,882,753
	18,532,740	108,378,927

19. OTHER INCOME, NET

This item comprises:

	March 2014 S/.	December 2012 S/.
Other expenses	(98,839)	-
Recovery of uncollecting	185,867	138,741
Others	-	259,798
	87,028	398,539

	March 2014 INR	December 2012 INR
Other expenses	(2,148,674)	-

Recovery of uncollecting	4,040,587	2,808,522
Others	-	5,259,069
	1,891,913	8,067,591

20. FINANCIAL INCOME/(EXPENSES), NET

This item comprises:

	March 2014 S/.	December 2012 S/.
Financial expenses		
Interests dude to borrowings	(18,612)	(29,632)
Financial income		
Other incomes	12,436	1,046
	(6,176)	(28,586)
Exchange difference, net	(446,801)	456,921
	(452,977)	428,335

	March 2014 INR	December 2012 INR
Financial expenses		
Interests dude to borrowings	(404,609)	(599,838)
Financial income		
Other incomes	270,348	21,174
	(134,261)	(578,664)
Exchange difference, net	(9,713,065)	9,249,413
	(9,847,326)	8,670,749

21. RELATED PARTY TRANSACTIONS

At 31 March 2014 and 31 December 2012, Company keeps the following balances:

	March 2014 S/.	December 2012 S/.
Receivable – Related party		
Ranbaxy Laboratories Limited	56,189	-
Payable – Related parties		
Ranbaxy Laboratories Limited	3,572,476	8,431,746
Ranbaxy (Netherlands) B.V.	1,546,050	1,403,050
	5,118,526	9,834,796

	March 2014 INR	December 2012 INR
Receivable – Related party		
Ranbaxy Laboratories Limited	1,192,972	-
Payable – Related parties		
Ranbaxy Laboratories Limited	75,848,747	180,551,306
Ranbaxy (Netherlands) B.V.	32,824,841	30,043,897
	108,673,588	210,595,203

In general, transactions with related party have been made in the normal course of operations and, in the opinion of management, were made based on arm's length principle.

At 31 March 2014 and 31 December 2012, receivables and payables correspond to transactions with Ranbaxy Laboratories Limited. Likewise, Company has received borrowings from Ranbaxy (Netherlands) B.V. USD 550,000 INR 32,934,132.

22. GOING CONCERN

These financial statements are prepared on a going concern basis because the holding company has undertaken to provide continuing financial support so that the Company is able to pay its debts as and when they fall due, and it can performs its current operations.

As at 31 December 2012, Company had accumulated losses of S/. 4,564,294 INR 97,815,232. Likewise, during period January 2013 to March 2014, Company has had losses of S/. 1,042,536 INR 22,663,826 therefore, as at 31 March 2014, accumulated losses are S/. 5,606,830 INR 119,040,977.

Additionally, as at 31 March 2014, the statement of financial position shows a negative working capital of S/. 1,179,422, and the statement of cash flows shows negative flows of operating activities of S/. 1,476,231.

By other band, according to Corporate Act, when losses has reduced net equity less than one third of share capital, it is dissolution reason of entity. Current dispositions are mandatories in order to restores the equity balance to at least in a half of share capital.

In opinion of Management, Company will be able to continuing its operations in the future, due to continuing financial support of Head Office, and plans designed to improve performance of entity.

Note : Conversion rate used against Indian Rupees for the year 2014/2013 and 2012 are:
i) Items relating to Profit and Loss account at Average rate: 1 P Soles= 0.0530 [2012: 1 P Soles =0.0610]
ii) Items relating to Balance sheet at Closing rate: 1 P Soles = 0.0471 [2012: 1 P Soles=0.0467]