Navarrete y Asociados
Contadores Públicos, Auditores y Consultores

Ranbaxy – PRP (PERU) S.A.C.

REPORT OF INDEPENDENT ACCOUNTANTS AND FINANCIAL STATEMENTS FOR THE TWELVE MONTH PERIOD ENDED MARCH 31, 2015 AND THE PERIOD OF FIFTEEN MONTHS ENDED MARCH 31, 2014.

RANBAXY – PRP (PERU) S.A.C.

Financial statements for period 1 April 2014 to 31 March 2015
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 2015, and the statement of profit and loss, statement of changes in equity and statement of cash flows for the twelve-month period 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 20 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 20. 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 2015, and its financial performance and cash flows for the twelve-month period then ended in accordance with generally accepted accounting principles in Peru.

15 May 2015

Lima, Peru

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

RANBAXY – PRP (PERU) S.A.C.

Statement of financial position

As at 31 March 2015 and as at 31 March 2014

	Notes	March 2015	March 2014
		S/.	S/.
Assets			
Current assets			
Cash and cash equivalents	4	1,967,557	2,094,455
Trade accounts receivable	5	225,676	755,534
Receivable – Related party	6	-	56,189
Other accounts receivable	7	12,808	54,521
Inventories	8	74,256	383,832
Recovery taxes	9	-	911,761
Total current assets		2,280,297	4,256,292
Property, plant and equipment	10	11,416	18,305
Total assets		2,291,713	4,274,597

	Notes	March 2015	March 2014
		S/.	S/.
Liabilities and Equity			
Current liabilities			
Trade accounts payable	11	15,989	24,164
Payable – Related party	6	6,213,912	5,118,526
Other accounts payable	12	260,068	293,024
Total current liabilities		6,489,969	5,435,714
Equity			
Share capital	13	4,342,017	4,342,017
Legal reserve	13	103,698	103,698
Accumulated losses	13	(8,643,971)	(5,606,832)
Total Equity		(4,198,256)	(1,161,117)
Total Liabilities and Equity		2,291,713	4,274,597

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.

Statement of profit and loss

for the twelve-month period ended 31 March 2015
and for fifteen-month period ended 31 March 2014

	Notes	March 2015	March 2014
		S/.	S/.
Revenues		691,326	4,694,526
Cost of sales	15	(613,010)	(2,975,967)
Gross profit		78,316	1,718,559
Administrative expenses	16	(2,409,797)	(1,542,640)
Selling expenses	17	(355,446)	(852,506)
Operating (loss)/profit		(2,686,927)	(676,587)
Other income, net		47,243	87,028
Financial expenses		(4,340)	(18,611)
Income expenses		424	12,435
Exchange differences, net	19	(393,539)	(446,801)
Loss before income tax		(3,037,139)	(1,042,536)
Income tax	18	-	-
Net loss		(3,037,139)	(1,042,536)

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.

Statement of changes in equity

for the twelve-month period ended 31 March 2015
and for fifteen-month period ended 31 March 2014

	Number of Shares	Share Capital	Legal Reserve	Accumulated Losses	Total
	(In units)	S/.	S/.	S/.	S/.
Balance at 1° January 2013	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)
Net loss	-	-	-	(3,037,141)	(3,037,141)
Balance at 31 March 2015	4,129,977	4,342,017	103,698	(8,643,971)	(4,198,256)

See accompanying notes to the financial statements

RANBAXY – PRP (PERU) S.A.C.

Statement of changes in equity

for the twelve-month period ended 31 March 2015
and for fifteen-month period ended 31 March 2014

	March 2015	March 2014
	S/.	**S/.**
Operating activities		
Collecting	1,345,623	7,687,209
Payment to suppliers	(837,477)	(8,574,297)
Payments of salary and social benefits	(483,665)	(739,719)
Payments of taxes	(151,379)	(296,225)
Net cash flow (used in) provided by operating activities	(126,898)	(1,923,032)
Investing activities		
Acquisitions of property, plant and equipment	-	-
Net cash flow used in investing activities	-	-
Financing activities		
Borrowing from shareholder	-	-
Amortization of borrowings	-	-
Net cash flow (used in) financing activities	-	-
Exchange differences, net	-	-
(Decrease) /Increase in cash	(126,898)	(1,923,032)
Cash and cash equivalents at beginning of period	2,094,455	4,017,487
Cash and cash equivalents at final of period	1,967,557	2,094,455

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 99.9999% 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 March 2014 were approved by General Meeting of Shareholders dated 10 April 2014.

Financial statements as at 31 March 2015 has been issued with the authorization of the Company's Management on 20 April 2015, 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:

2.1 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.

Financial statements has been prepared based on historical cost, and they are presented in Nuevos Soles.

2.2 Main principles and accounting practice

a) Financial instruments

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.

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 2015 do not differ significantly from their fair values on the market.

b) Cash and cash equivalent

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

c) 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.

d) 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 %

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) 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.

3. NEW ACCOUNTING STANDARDS ISSUED INTERNATIONALLY

a) New accounting standards and interpretations no affected significantly amounts reported and disclosures current period.

- Amendments IFRS 10, IFR 12 and IAS 27:
  Amendments IFRS 10 provide definitions on investment entity and require comply with several requirements
  New requirements of disclosures of IFRS 12 and IAS 27.

- Amendments IAS 32:
  New requirements related to compensation of financial assets and liabilities.
  No major impact is relevant to Company, according to assessment of management.

- Amendments IAS 36:
  No major impact on no financial assets according to assessment of management.

- Amendments IAS 39:
  Amendments related to hedge accounting and fair value.
  Company have not hedge instruments and therefore it is not applicable.

- Amendment IAS 19:
  Benefit plans are affected due to contributions of employees.

Management consider that applying of these amendments will have no significant impact on financial statements.

b) New standards and interpretations to be applied after date of financial statements

- IFRS 9 financial instruments: Effective since 1 January 2017.
- Amendments IAS 16 and IAS 41: Effective since 1 January 2016.
- Amendment IAS 27: Effective since 1 January 2016.
- Amendments IFRS 11: Effective since 1 January 2016.
- Amendments IAS 16 and IAS 38: Effective since 1 January 2016.
- IFRS 15: Effective since 1 January 2017.
- Amendments IFRS 14: Effective since 1 January 2016.

4. CASH AND CASH EQUIVALENTS

This item comprises:

	March 2015 S/.	March 2014 S/.
Cash on hand	500	3,000
Cash at banks	1,547,866	1,710,632
Guarantee account	419,191	380,823
	1,967,557	2,094,455

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 guarantees are for tenders.

5. TRADE ACCOUNTS RECEIVABLE

This item comprises:

	March 2015 S/.	March 2014 S/.
Invoices	1,677,324	1,733,486
Notes	359,186	383,493
	2,036,510	2,116,979
Less: Allowances for doubtful accounts	(1,810,834)	(1,361,445)
	225,676	755,534

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

Summary of aging of accounts receivable:

	March 2015 S/.	March 2014 S/.
In maturity date	138,840	285,978
Maturity 30 days	-	1,489
Maturity 30 days to 90 days	-	75,830
Maturity more than 90 days	1,897,670	1,753,682
Final balance	2,036,510	2,116,979

In the opinion of Management, the allowances for doubtful accounts at 31 March 2015, determined according to the criteria indicated in note 2 (e), is sufficient to cover any potential losses arising from uncollectable trade receivables.

6. RELATED PARTY TRANSACTIONS

Operations related to two related parties corresponds to:

	Sales (S/.)		Acquisitions of inventory (S/.)		Shareholder´s loan (S/.)	
	2015	2014	2015	2014	2015	2014
Ranbaxy Laboratories Limited	-	-	576,432	375,561	-	-
Ranbaxy (Netherlands) B.V.	-	-	-	-	1,702,800	1,546,050

Balances as at 31 March 2015 and 31 March 2014 are as follow:

	March 2015 S/.	March 2014 S/.
Receivable – Related party		
Ranbaxy (Netherlands) B.V.	-	56,189
Payable – Related parties		
Ranbaxy Laboratories Limited – Commercial	4,511,112	3,572,476
Ranbaxy (Netherlands) B.V. – No Commercial	1,702,800	1,546,050
	6,213,912	5,118,526

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 2015 and 31 March 2014, receivables and payables correspond to transactions with Ranbaxy Laboratories Limited. Likewise, Company has received borrowings from Ranbaxy (Netherlands) B.V. USD 550,000.

7. OTHER ACCOUNTS RECEIVABLE

This item comprises:

	March 2015 S/.	March 2014 S/.
Guarantee deposits	12,808	11,676
Claims of third parties	-	23,043
Others	-	19,802
	12,808	54,521

8. INVENTORY

This item comprises:

	March 2015 S/.	March 2014 S/.
Merchandise	348,366	410,247
Merchandise in transit	-	71,418
	348,366	481,665
Less: Allowances for impairment of merchandise	(274,110)	(97,833)
	74,256	383,832

9. TAXES RECOVERABLE

This item comprises:

	March 2015 S/.	March 2014 S/.
Credit for income tax balance	-	246,767
Credit balance with temporary tax on net assets	-	80,424
Tax credit for general sales tax	-	584,570
	-	911,761

10. PROPERTY, PLANT AND EQUIPMENT

This item comprises:

	March 2015					March 2014
	Vehicles S/.	**Furniture** S/.	**Computer Equipment** S/.	**Other Equipment** S/.	**Total** S/.	**Total** S/.
Cost						
Balance at the beginning	-	12,175	45,381	23,208	80,764	483,748
Acquisitions	-	-	-	-	-	-
Withdrawals or sales	-	-	-	-	-	(402,984)
Balance at final of period	-	12,175	45,381	23,208	80,764	80,764
Depreciation						
Balance at the beginning	-	10,035	41,117	11,307	62,459	438,892
Depreciation of period	-	1,044	3,858	1,988	6,890	16,544
Withdrawals or sales	-	-	-	-	-	(392,977)
Balance at final of period	-	11,079	44,975	13,295	69,349	62,459
Net value	-	1,096	406	9,913	11,415	18,305

At 31 March 2015 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 2015, no conditions exist that evidence any situation about impairment loss in property, plant and equipment.

11. TRADE ACCOUNTS PAYABLE

This item comprises:

	March 2015 S/.	**March 2014** S/.
Invoices – third parties	15,989	24,164

12. OTHER ACCOUNTS PAYABLE

This item comprises:

	March 2015 S/.	March 2014 S/.
Funds received from customers	86,423	5,679
Taxes and social contributions	21,123	3,568
Vacations	26,307	50,108
Provisions for severance indemnities	6,314	14,125
Claims from third parties	107,929	201,460
Others	11,972	18,084
	260,068	293,024

13. NET EQUITY

Share capital

At 31 March 2015 and 31 March 2014 share capital consist of 4,129,977shares of S/. 1 nominal value each, duly authorized, issued and paid.

At 31 March 2015, Company has pending issue common shares by S/. 212,040, 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 2015 the composition of the shareholders in the capital of Company is as follows:

Percentage of capital sharing		Shareholders	% sharing
Up to	1.00	1	0.0001
From	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.

14. 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 accrued at 31 March 2015 is S/. 8,643,971 (S/. 5,606,832 at 31 December 2014).

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.

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 2010 to 2014 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 2015.

Since fiscal year 2015, according to Law N° 30296, income tax rate to be applied on profit taxable is as follow:

- Period 2015 and 2016: 28 per cent
- Period 2017 and 2018: 27 per cent
- Period 2019 and beyond: 26 per cent.

Since 2015, additional tax on dividends will be applied as follow:

- Periods 2015 and 2016: 6,8 per cent
- Periods 2017 and 2018: 8,0 per cent
- Periods 2019 and beyond: 9,3 per cent

15. COST OF SALES

This item comprises:

	March 2015 S/.	**March 2014 S/.**
Beginning balance of merchandise	481,665	1,926,735
Add (less):		
Purchase of merchandise	637,477	1,916,465
Write-off of merchandise	(157,766)	(385,568)
Final balance of merchandise	(348,366)	(481,665)
	613,010	2,975,967

16. ADMINISTRATIVE EXPENSES

This item comprises:

	March 2015 S/.	March 2014 S/.
Personnel expenses	221,009	222,255
Services provided by third parties	329,733	676,437
Taxes	1,049	7,160
Other expenses	101,068	229,692
Depreciation	6,889	16,544
Allowances for doubtful accounts	449,389	330,552
Allowances for impairment of merchandise	261,418	60,000
Others	1,039,242	-
	2,409,797	1,542,640

17. SELLING EXPENSES

This item comprises:

	March 2015 S/.	March 2014 S/.
Personnel expenses	162,656	450,690
Services provided by third parties	179,220	368,734
Other expenses	13,570	33,082
	355,446	852,506

18. INCOME TAX

As at 31 March 2015 and 31 March 2014, has not been determined deferred income tax due to there are no temporary differences.

19. 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/. 3.092 for purchase and S/. 3.096 for sales (S/. 2.809 for purchase and S/. 2.811 for sales at 31 March 2014) for 1 USD and summarized as follows:

	2015 USD	2014 USD
Current assets	634,767	658,185
Current liabilities	(2,007,353)	(1,821,600)
Net position - liabilities	(1,372,586)	(1,163,415)

In period 1 April 2014 to 31 March 2015, Company recognized net loss of exchange difference of S/. 393,539 (net loss of exchange difference of S/. 446,801 in fifteen-month period ended 31 March 2014).

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 2015, financial liabilities have maturities minor than 30 days and they are supported by cash flows provided by current operations.

20. 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 March 2015 (twelve-month period), Company had net loss of S/. 3,037,139 and accumulated losses of S/. 8,643,970. Likewise, during period January 2013 to March 2014, Company has had losses of S/. 1,042,536; therefore, as at 31 March 2014, accumulated losses are S/. 5,606,830.

Additionally, as at 31 March 2015, the statement of financial position shows a negative working capital of S/. 4,209,672 (S/. 1,179,422 of negative working capital as at 31 March 2014), and the statement of cash flows shows negative net flows of operating activities of S/. 126,898 for twelve-month period then ended (S/. 1,923,032 of negative net flows of operating activities for fifteen-month period ended 31 March 2014).

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.