

SUN LABORATORIES FZE

Financial Statements

31 March 2020

SUN LABORATORIES FZE

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31 March 2020

<u>CONTENTS</u>	<u>PAGES</u>
Director's Report	1
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 20

SUN LABORATORIES FZE
Director's Report

The director submits his report, together with the audited financial statements, for the year ended 31 March 2020.

Results and appropriations

The results of the establishment and the appropriations made for the year ended 31 March 2020 are set out on pages 5 and 6 of the financial statements.

In my opinion, the financial statements set out on page 4 to 20 are drawn up so as to give a true and fair view of the financial position of the establishment as at 31 March 2020, the financial performance, changes in equity and cash flows of the establishment for the year then ended in accordance with the International Financial Reporting Standards and applicable provisions of the Sharjah Airport International Free Zone Authority.

At the date of the financial statement, there are reasonable grounds to believe that the establishment will be able to pay its debts as and when they fall due.

Review of the business

The establishment has carried out activity of distribution and marketing of pharmaceutical products manufactured by the ultimate parent company during the year.

Events since the end of the year

There were no important events which have occurred since the year-end that materially affect the establishment.

Shareholder and its interest

The shareholder as at 31 March 2020 and its interest as at that date in the share capital of the establishment was as under:

	<i>Country of incorporation</i>	<i>No. of shares</i>	<i>AED</i>	<i>USD</i>
Sun Pharma Holdings	Mauritius	<u>300</u>	<u>45,000,000</u>	<u>12,251,565</u>

Auditors

A resolution to re-appoint the auditors and fix their remuneration will be put to the board at the annual general meeting.

Harin P. Mehta
DIRECTOR

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **SUN LABORATORIES FZE** (the “establishment”), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements including a summary of significant accounting policies.

In our opinion, the accompanying the financial statements present fairly, in all material respects, the financial position of **SUN LABORATORIES FZE** as at 31 March 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the establishment in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (“IESBA” Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Without qualifying our audit opinion, we draw attention to note 2 to the financial statements regarding going concern assertions.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and implementing regulations of Sharjah Airport International Free Zone Authority, 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.

In preparing the financial statements, management is responsible for assessing the establishment ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the establishment or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the establishment's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the establishment's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the establishment ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the establishment to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the establishment has maintained proper books of account and the financial statements are in agreement with the books of account. We obtained all the information which we considered necessary for our audit. According to the information available to us, except for the matter stated in the *Emphasis of Matter* section of our report, there were no contraventions during the year of the regulation issued by the Sharjah Airport International Free Zone Authority pursuant to Law No. 2 of 1995 or the Articles of Association of the establishment which might have materially affected the financial position of the establishment or its financial performance.

Signed by:
C. D. Shah
Partner
Registration No. 677
Shah & Alshamali Associates Chartered Accountants
3 May 2020
Dubai

SUN LABORATORIES FZE

Statement of Financial Position
as at 31 March 2020

	<i>Notes</i>	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
ASSETS			
Non-current assets			
Property, plant and equipment	5	-	-
Intangible assets	6	<u>278,073,348</u>	<u>291,837,836</u>
		<u>278,073,348</u>	<u>291,837,836</u>
Current assets			
Trade receivables	7	35,617,258	34,377,335
Advances, deposits and other receivables	8	1,776,155	304,486
Prepayments		16,254	8,986
Cash and bank balances	9	<u>11,757,906</u>	<u>4,178,353</u>
		<u>49,167,573</u>	<u>38,869,160</u>
Total assets		<u>327,240,921</u>	<u>330,706,996</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	12,251,565	12,251,565
Accumulated losses		<u>(21,290,023)</u>	<u>(14,426,328)</u>
Total deficit		<u>(9,038,458)</u>	<u>(2,174,763)</u>
Liabilities			
Non-current liability			
Long-term loan	11	<u>304,067,567</u>	<u>304,271,360</u>
Current liabilities			
Trade payables	12	2,863,151	28,340,575
Other payables and accruals	13	<u>29,348,661</u>	<u>269,824</u>
		<u>32,211,812</u>	<u>28,610,399</u>
Total liabilities		<u>336,279,379</u>	<u>332,881,759</u>
Total equity and liabilities		<u>327,240,921</u>	<u>330,706,996</u>

The notes on pages 8 to 20 form an integral part of these financial statements.

Harin P. Mehta
DIRECTOR

SUN LABORATORIES FZE

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2020

	<i>Notes</i>	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
Sales	14	112,859,365	78,241,037
Cost of sales	15	<u>(89,843,323)</u>	<u>(70,889,839)</u>
Gross profit		23,016,042	7,351,198
Other income	16	15,185	256,876
Expenditure			
Professional, promotional, and marketing expenses		(4,665,480)	(4,780,279)
Lease and license fee		(12,133)	(22,039)
Other administrative expenses		(297,262)	(377,378)
Provision for doubtful debts		(506,256)	-
Impairment of property, plant and equipment	5	-	(14,979)
Amortization	6	(13,764,488)	(301,704)
Interest on long term loan	17	<u>(10,649,303)</u>	<u>(203,793)</u>
Total expenditure		<u>(29,894,922)</u>	<u>(5,700,172)</u>
(Loss) / profit for the year		(6,863,695)	1,907,902
Other comprehensive income / (loss)		-	-
Total comprehensive (loss) / income for the year		<u>(6,863,695)</u>	<u>1,907,902</u>

The notes on pages 8 to 20 form an integral part of these financial statements.

Harin P. Mehta
DIRECTOR

SUN LABORATORIES FZE

Statement of Changes in Equity
for the year ended 31 March 2020

	<i>Share capital USD</i>	<i>Accumulated losses USD</i>	<i>Total USD</i>
As at 31 March 2018	12,251,565	(16,334,230)	(4,082,665)
Profit for the year	-	<u>1,907,902</u>	<u>1,907,902</u>
As at 31 March 2019	12,251,565	(14,426,328)	(2,174,763)
Loss for the year	-	<u>(6,863,695)</u>	<u>(6,863,695)</u>
As at 31 March 2020	<u>12,251,565</u>	<u>(21,290,023)</u>	<u>(9,038,458)</u>

The notes on pages 8 to 20 form an integral part of these financial statements.

Harin P. Mehta
DIRECTOR

SUN LABORATORIES FZE

Statement of Cash Flows
for the year ended 31 March 2020

	<i>Note</i>	<i>2020</i> <u>USD</u>	<i>2019</i> <u>USD</u>
<u>Cash flows from operating activities</u>			
(Loss)/profit for the year		(6,863,695)	1,907,902
Adjustment for:			
Finance cost		10,649,303	203,793
Interest income		(15,185)	(8,741)
Provision for doubtful debts		506,256	-
Impairment of property, plant and equipment		-	14,979
Amortisation		<u>13,764,488</u>	<u>301,704</u>
Operating profit before working capital changes		18,041,167	2,419,637
(Increase)/decrease in trade, other receivables and prepayments		(3,210,148)	(291,317)
Increase/(decrease) in trade and other payables and accruals		<u>(7,047,893)</u>	<u>(4,183,070)</u>
Net cash from/ (used in) operating activities		<u>7,783,126</u>	<u>(2,054,750)</u>
<u>Cash flows from investing activities</u>			
Payment for purchase of intangible asset		-	(1,600,000)
Interest income received		220	-
Placement of term deposit		<u>(8,922)</u>	<u>(550,000)</u>
Net cash from/ (used in) investing activities		<u>(8,702)</u>	<u>(2,150,000)</u>
<u>Cash flow from financing activity</u>			
Long term loan received / (repaid) (net)		<u>(203,793)</u>	<u>-</u>
Net cash from/ (used in) financing activity		<u>(203,793)</u>	<u>-</u>
Net increase/ (decrease) in cash and cash equivalents		7,570,631	(4,204,750)
Cash and cash equivalents at the beginning of the year		<u>3,628,353</u>	<u>7,833,103</u>
Cash and cash equivalents at the end of the year	9	<u>11,198,984</u>	<u>3,628,353</u>

The notes on pages 8 to 20 form an integral part of these financial statements.

Harin P. Mehta
DIRECTOR

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****1. Legal status and activity**

SUN LABORATORIES FZE (the “establishment”) is a limited liability establishment incorporated on 13 March 2011 in Sharjah Airport International Free Zone, Sharjah, United Arab Emirates pursuant to Emiri Decree # 2 of 1995 and in accordance with the implementation procedures of the free zone establishment.

The registered address of the establishment is SAIF plus R5 – 30/B, P. O. Box 7818, Sharjah, United Arab Emirates. The establishment is operating under commercial license number 09137 with general trading as its licensed activity.

The establishment is a wholly owned subsidiary of **SUN PHARMA HOLDINGS**, Mauritius. The ultimate parent company is **SUN PHARMACEUTICAL INDUSTRIES LIMITED**, India.

The establishment is engaged in distribution and marketing of pharmaceutical products manufactured by the ultimate parent company and sells to the overseas customers in the designated territories in terms of binding letter of intent with ultimate parent company. The establishment has engaged services of marketing executives overseas to distribute and market the products in the designated territories.

2. Basis of preparation*Going concern*

The establishment has incurred a loss of USD 6,863,695 during the year and has accumulated losses of USD 21,290,023 (*previous year USD 14,426,328*) resulting in equity deficit of USD 9,038,458 (*previous year USD 2,174,763*) as of 31 March 2020. This situation is not in compliance with Sharjah International Airport Free Zone Regulations. However, these financial statements have been prepared on a going concern basis in view of the following:

- The Directors have resolved to continue the operations.
- Receivables are of sound quality.
- Key executive management is in place.
- Future forecast reflects continuation of a positive trading and financial performance.
- The management is not aware of any material changes that may adversely affect the establishment, related to customers, suppliers, services or geographical markets.
- Parent entities would be extending financial support to timely meet with the future funding requirements, if any.

Statement of compliance

The financial statements have been prepared under accrual basis of accounting in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the applicable requirements of Sharjah Airport International Free Zone Authority.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain financial and non-financial instruments that are measured at fair values at the end of each reporting period.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****Basis of preparation (cont'd)***Functional and presentation currency*

The financial statements have been presented in US Dollars (USD), being the functional and presentation currency of the establishment.

Use of estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that may affect the reported amount of financial assets and liabilities, revenue, expenses, disclosure of contingent liabilities and the resultant provisions and fair values. Such estimates are necessarily based on assumptions about the several factors and actual results may differ from reported amounts. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed in note 4.

Application of new and revised International Financial Reporting Standards (IFRS)

The establishment has applied IFRS 16 – *Leases* which is effective for annual periods beginning on or after 1 April 2019:

IFRS 16 supersedes IAS 17 Leases and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the establishment is the lessor.

The establishment elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The establishment also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The adoption of this new standard has no material impact on the establishment's financial statements. Further, the establishment has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

3. Summary of significant accounting policies

The accounting policies, which are consistent with those used in the previous year, except for new standards effective on 1 April 2019, in dealing with items that are considered material in relation to the financial statements are as follows:

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is depreciated on a straight-line method over their estimated useful lives of 5 – 6 years.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****Summary of significant accounting policies (cont'd)****Property, plant and equipment (cont'd)**

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Intangible assets*Acquired intangibles*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses, if any. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset they relate. Amortization of trademark is recognised on a straight-line basis over their estimated useful life of 5 years.

Contractual rights acquired are amortized over the period of the contract or any other extended period in proportion to the annual value of the products sourced from the vendor. This contractual right imparts identifiability and control to the establishment to obtain future economic benefits over the period or any extended period of the contract in the form of cost savings from sourcing products.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use. Gain or loss arising on such de-recognition is recognized in the statement of profit or loss and other comprehensive income, and are measured as the difference between the net disposal proceeds, if any, and the carrying amount of respective intangible assets as on the date of de-recognition.

Financial instruments

Financial assets and financial liabilities are recognized when, and only when, the establishment becomes a party to the contractual provisions of the instrument. Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss on the basis of the establishment's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****Summary of significant accounting policies (cont'd)*****Financial assets (cont'd)***

The financial assets measured at amortized cost comprises trade and other receivables and cash and bank balances.

Trade receivables

Trade receivables are stated at original invoice amount less a provision for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable and provided for in the accounts. Bad debts are written off when there is no possibility of recovery.

Other current financial assets

Other current financial assets represent advances, VAT recoverable and refundable deposit.

Cash and cash equivalents

Cash and cash equivalents comprise bank balance in current accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Impairment of financial assets

The establishment recognizes an allowance for expected credit losses (ECLs) on its financial assets. ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, which represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.
- Lifetime ECL, which represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

For trade receivables, the establishment applies a simplified approach in calculating ECLs. Therefore, the establishment doesn't track changes in credit risk, but instead recognizes a loss allowance based on Lifetime ECLs at each reporting date.

Loss allowance is based on the establishment's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

The financial liabilities comprise long term loan and trade and other payables.

Trade and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether invoiced by the supplier or not.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****Summary of significant accounting policies (cont'd)****Provisions, contingent liabilities and contingent assets**

Provisions are recognised only when there is a present obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the establishment or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements.

Value Added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Revenue recognition*Sale of products*

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the establishment expects to be entitled in exchange for those goods or services. Revenue is stated net of returns, chargebacks, rebates and other similar allowances. These are calculated on the basis of historical experience and the specific terms in the individual contracts.

Interest income

Revenue from interest income is recognized on a time-proportion basis using the effective interest method.

Other income

Other income is recognised as per the contractual agreement.

Foreign currency transactions

Transactions in currencies other than US Dollars are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in other than US Dollars are translated into USD at the rate of exchange ruling at the statement of financial position date. Resulting gain or loss is taken to the statement of profit or loss and other comprehensive income.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2020****4. Significant judgment employed in applying accounting policies and key sources of estimation uncertainty****4.1 Significant judgment employed**

The significant judgement made in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is as follows:

Impairment of non-financial assets

The establishment assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. If any of such indication exists, the establishment estimates the asset's recoverable amount which is the higher of fair value less costs to sell and value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the establishment takes into account qualitative and quantitative reasonable and supportable forward-looking information. As at date of statement of financial position, management believes that the recoverability of its trade receivables are certain, accordingly, no expected credit losses are recognized.

4.2 Key sources of estimation uncertainty

Key assumptions made concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

Useful lives of assets

The useful lives of the establishment's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of establishment's property, plant and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the establishment's assets. In addition, the estimation of the useful lives is based on the establishment's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

Impairment of trade and other receivables

The loss allowance for trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The establishment uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the establishment's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Any difference between the amounts actually collected in the future period and the amounts expected, will be recognized in the establishment's statement of profit or loss in that period. As at date of statement of financial position, management believes that the recoverability of its trade and other receivables are certain.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

5. Property, plant and equipment

The establishment has entered into an agreement with Atlas Global Trading FZC in the previous year. As per terms of the agreement, the establishment has taken over items of property, plant and equipment which was impaired at the end of the previous year.

	<i>Contractual rights * USD</i>	<i>Trademark USD</i>	<i>Total USD</i>
6. Intangible assets			
Cost/valuation			
As at 01.04.2019	291,837,736	319,485	292,157,221
Disposal	-	(319,485)	(319,485)
As at 31.03.2020	<u>291,837,736</u>	<u>-</u>	<u>291,837,736</u>
Amortization			
As at 01.04.2019	-	319,385	319,385
Charge for the year	13,764,388	100	13,764,488
Disposal	-	(319,485)	(319,485)
As at 31.03.2020	<u>13,764,388</u>	<u>-</u>	<u>13,764,388</u>
Net book value			
As at 31.03.2020	<u>278,073,348</u>	<u>=</u>	<u>278,073,348</u>
As at 31.03.2019	<u>291,837,736</u>	<u>100</u>	<u>291,837,836</u>

*The establishment has entered into an agreement with Atlas Global Trading FZC in the previous year.

As per the said agreement the establishment has acquired contractual rights along with its related assets and liabilities. The establishment has recorded intangible assets in the form of contractual rights at fair value certified by an independent valuer.

As per the terms of contractual right agreement, the establishment would source pharmaceutical generic products at a discount from Sun Pharmaceutical Industries Ltd.

	<i>2020 USD</i>	<i>2019 USD</i>
7. Trade receivables		
Trade receivables	36,123,514	34,377,335
Less: provision for doubtful debts	506,256	-
	<u>35,617,258</u>	<u>34,377,335</u>

The establishment's credit period ranges between 0-180 days after which trade receivables are past due. Trade receivables include USD Nil (previous year USD 1,902,975) due from a related party on trade account.

Although trade receivables of USD 5,162,142/-, net of subsequent recoveries, are past due, they are considered good and fully recoverable by the management. Since the date of statement of financial position, the establishment has recovered USD 3,362,824/- from trade receivables. As at 31 March, the aging of trade receivables was as follows:

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

Trade receivables (cont'd)

	<i>Total USD</i>	<i>0-30 Days USD</i>	<i>31-90 Days USD</i>	<i>91-180 Days USD</i>	<i>181-365 Days USD</i>	<i>> 365 Days USD</i>
2020	36,123,514	10,489,943	15,187,976	5,204,291	4,428,852	812,452
<i>Subsequent recoveries</i>	<i>3,362,824</i>	<i>-</i>	<i>2,889,289</i>	<i>394,373</i>	<i>79,162</i>	<i>-</i>
<i>Net of recoveries</i>	<i>32,760,690</i>	<i>10,489,943</i>	<i>12,298,687</i>	<i>4,809,918</i>	<i>4,349,690</i>	<i>812,452</i>
2019	34,377,335	12,640,138	8,693,143	6,776,392	4,118,620	2,149,042

	<i>2020 USD</i>	<i>2019 USD</i>
8. Advances, deposits and other receivables		
Marketing authorization income receivable – related party	248,135	248,135
Advance to others	13,262	18,615
Advance to a supplier – related party	1,473,568	-
Deposits	2,321	2,321
VAT recoverable	23,904	11,352
Other receivable	-	15,361
Accrued income	14,965	8,702
	<u>1,776,155</u>	<u>304,486</u>
9. Cash and bank balances		
Bank balance in current accounts	11,198,984	3,628,353
Cash and cash equivalents	11,198,984	3,628,353
Term deposits	558,922	550,000
	<u>11,757,906</u>	<u>4,178,353</u>
10. Share capital		
Authorised, issued and paid-up:		
300 shares of AED 150,000 each (<i>converted @ 3.673</i>)	<u>12,251,565</u>	<u>12,251,565</u>
11. Long-term loan		
This represents unsecured and interest-bearing long-term loan from a related party without any fixed repayment schedule.		
12. Trade payables		
Includes USD 52,290 (<i>previous year USD 26,368,617</i>) payable to related parties on trade account and USD 2,810,861 (<i>previous year USD 1,971,958</i>) due to overseas parties on account of commission on sales. The establishment avails credit terms of 0-180 days from the related party. However, extended credit facility is availed during the year.		

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

	<i>2020</i>	<i>2019</i>
	<u>USD</u>	<u>USD</u>
13. Other payables and accruals		
Advance from customers *	28,389,107	9,575
Customer credit balance	-	14,787
Accruals	<u>959,554</u>	<u>245,462</u>
	<u>29,348,661</u>	<u>269,824</u>

*Includes USD 28,379,647 advance from a related party.

14. Sales

This represents sales to overseas customers net of discounts and rate difference.

15. Cost of sales

This represents cost of sales net of rate difference.

	<i>2020</i>	<i>2019</i>
	<u>USD</u>	<u>USD</u>
16. Other income		
Marketing authorization income – related party	-	248,135
Interest income from bank	15,185	8,702
Interest income – others	-	39
	<u>15,185</u>	<u>256,876</u>

17. Related party transactions and balances

The establishment enters into transactions with parties that fall within the definition of a related party as contained in International Accounting Standard 24: Related Party Disclosures. Related parties are the entities which possesses the ability (directly or indirectly) to conduct or exercise significant influence over the operating and financial decision of the establishment or vice versa and it is subject to common control or common significant influence.

Related parties comprise the ultimate parent company, the parent company, the companies under common ownership and / or common management control and the directors of the establishment as under:

Ultimate parent company

- Sun Pharmaceutical Industries Ltd., India

Parent company

- Sun Pharma Holdings, Mauritius

Fellow subsidiary

- Sun Pharma Global FZE, U.A.E.

Subsidiaries of Ultimate Parent Company

- Sun Pharmaceutical Industries Inc – USA
- Terapia S.A – Romania

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

Related party transactions and balances (cont'd)

Directors

- Mr. Surendra Manishanker Joshi
- Mr. Rajesh K. Shah
- Mr. Harin P. Mehta

Significant transactions during the year with related parties and the amounts involved are as under:

	<i>Ultimate parent company USD</i>	<i>Fellow subsidiary USD</i>	<i>Subsidiaries of Ultimate Parent Company USD</i>	<i>Total 2020 USD</i>	<i>Total 2019 USD</i>
Purchases	89,803,613	-	-	89,803,613	70,787,317
Sales	-	-	28,338,327	28,338,327	64,572
Promotion and marketing exp.	762,509	-	-	762,509	495,968
Service charges	-	81,690	-	81,690	81,690
Interest expense	-	10,649,303	-	10,649,303	203,793
Marketing authorization income	-	-	-	-	248,135

The establishment also receives funds from the related party to meet with working capital requirements. The year-end related parties' balances are as under:

	<i>2020 USD Dr./.(Cr.)</i>	<i>2019 USD Dr./.(Cr.)</i>
Trade receivables:		
Subsidiaries of Ultimate Parent Company	-	1,902,975
Marketing authorization income receivable		
Ultimate parent company	248,135	248,135
Advance to a supplier		
Ultimate parent company	1,473,568	-
Long-term loan		
Fellow subsidiary	(304,067,567)	(304,271,360)
Trade payables		
Ultimate parent company	-	(26,316,327)
Subsidiaries of ultimate parent company	(52,290)	(52,290)
Advance from customer		
Subsidiaries of ultimate parent company	(28,379,647)	-

18. Capital management

The establishment manages its capital to ensure that the establishment will be able to continue as a going concern while maximizing the return to the shareholder company. The establishment's capital structure consists of equity, comprising share capital and accumulated losses.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

19. Financial instruments: Credit, liquidity and market risk exposures

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially expose the establishment to concentrations of credit risk comprise principally of bank balance in current accounts, term deposits and trade and other receivables. The establishment's bank balance in current accounts are placed with high credit quality financial institutions.

The establishment has derived 99% of its revenue from ten customers based overseas. At 31 March 2020, the establishment had significant concentration of credit risk with six overseas customers accounting for 50% of the trade receivables. Management believes that this concentration of credit risk is mitigated as these customers have long standing relationships with the related entities.

The establishment also seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and the terms of realization with the customers being letter of credit where available. In this way, the customer balances are secured and considered good and recoverable by the management. There are no significant concentrations of credit risk from receivables outside the industry in which the establishment operates.

Liquidity risk

Liquidity risk is the risk that the establishment will not be able to meet financial obligations as they fall due. The liquidity requirements are monitored on a regular basis by the parent company and the management who ensure that sufficient funds are made available to the establishment to meet commitments as they fall due.

Market risk

Market risk is the risk that changes in market prices, such as interest rate risk and currency risk, will affect the establishment's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Except for the below, there is no significant currency risk as substantially all financial assets and financial liabilities are denominated in the US Dollars or UAE Dirhams to which the US Dollars rate is fixed:

	<i>2020</i> <i>Equivalent</i> <i>USD</i>	<i>2019</i> <i>Equivalent</i> <i>USD</i>
Foreign currency financial assets:		
Trade receivables		
Euro (EUR)	3,665,397	3,256,570

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

Financial instruments: Credit, liquidity and market risk exposures (cont'd)

	<i>2020</i> <i>Equivalent</i> <i>USD</i>	<i>2019</i> <i>Equivalent</i> <i>USD</i>
Foreign currency financial assets:		
Advance to a supplier		
Euro (EUR)	(2,143,920)	-
Bank balance		
Euro (EUR)	125,307	930,539
Foreign currency financial liability:		
Trade payables		
Euro (EUR)	-	1,377,673

20. Financial instruments: Fair values

The fair values of the establishment's financial assets, comprising trade and other receivables and cash and bank balances and financial liabilities comprising long-term loan payable and trade and other payables, approximate to their carrying values.

	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
21. Contingent liabilities		
Letters of credit	<u>-</u>	<u>4,133</u>

22. Capital commitments

There were no capital commitments outstanding at the date of statement of financial position.

23. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year. Such reclassifications do not affect the previously reported profit, net assets or equity of the establishment.

24. Other matter

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors, which has also contributed towards lower spending capacity.

We, Sun Pharma are fortunate to be a part of the pharmaceutical industry, which has been least impacted by the ongoing COVID-19 pandemic.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2020

Other matter (cont'd)

The management actively monitors the situation of COVID-19 breakout as it evolves, on its financial condition, liquidity, operations, suppliers, industry and workforce and will take necessary measures to safeguard interest of stakeholder of the establishment. Considering the nature of operations of the establishment, besides some temporary disruption in Supply Chain, there is no other impact on the Group/Establishment.

These conditions are considered subsequent and non-adjusting events in the environment in which the establishment operates.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements.

25. Approval of the financial statements

The financial statements were approved by the board of directors on 3 May 2020 and authorized Mr. Harin P. Mehta to sign on behalf of the Board.

Harin P. Mehta
DIRECTOR