

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2020

PATEL SHAH JOSHI & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS - 31 MARCH 2020

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SUN PHARMA EAST AFRICA LIMITED

DIRECTORS AND OTHER PARTICULARS - 31 MARCH 2020

DIRECTORS	Thomas Kurusinkal Antony Rajesh Khushalchand Shah
REGISTERED OFFICE	Plot No. L R 209/13257/1 3rd Floor, Centre Point Parklands Road P O Box 41684 - 00100 NAIROBI
PRINCIPAL PLACE OF BUSINESS	Plot No. L R 209/20162 M02, Mezzanine Floor, Park Place 2nd Avenue Parklands P O Box 66180 - 00800 NAIROBI
SECRETARY	Richard Maina Kamami Certified Public Secretary (Kenya) P O Box 14474 - 00100 NAIROBI
INDEPENDENT AUDITORS	Patel Shah Joshi & Associates Certified Public Accountants P O Box 41684 - 00100 NAIROBI
BANKER	Diamond Trust Bank Kenya Limited Cross Road Branch P O Box 28575 - 00100 NAIROBI

SUN PHARMA EAST AFRICA LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report together with the audited financial statements of the company for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The main activity of the company is dealing in human pharmaceuticals - import, marketing and whole-sale distribution.

RESULTS AND DIVIDENDS

The profit for the year amounting to K Sh 15,415,863 (2019: K Sh 10,321,821) has been adjusted to the revenue reserves.

The directors do not recommend the payment of any dividend during the year under review.

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 1. All the present directors continue in office in the ensuing year.

STATEMENT AS TO DISCLOSURES TO THE COMPANY'S AUDITOR

The directors in office at the date of this report confirm that, to the best of their knowledge and belief,

- a) all the relevant audit information was availed to the Company's auditor; and
- b) they took all the steps required to be taken so as to be aware of any relevant audit information and to establish that the Company's auditor is availed with such information.

INDEPENDENT AUDITORS

Messrs Patel Shah Joshi & Associates are eligible for re-appointment as independent auditors in accordance with Section 717 (2) of the Companies Act, 2015.

ON BEHALF OF THE BOARD

DIRECTOR

Date: _____

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2020

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year, that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit and loss for the year. It also requires the directors to ensure that the company keeps proper accounting records that:

- a) show and explain the transactions of the company;
- b) disclose, with reasonable accuracy, the financial position of the company; and
- c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) design, implementing and maintaining such internal controls as they determine necessary to enable the presentation of the financial statements that are free from material misstatements, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently.
- iii) making accounting estimates and judgments that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on..... 2020 and signed on its behalf by:

Director

Director

Date: _____

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUN PHARMA EAST AFRICA LIMITED

Opinion

We have audited the accompanying financial statements of Sun Pharma East Africa Limited set out on pages 6 to 18. These financial statements comprise the statement of financial position as at 31 March 2020, 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, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 March 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company 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 Kenya. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. and for such internal control as the directors determine 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, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for 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 auditor's 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 scepticism throughout the audit. We also:

- 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUN PHARMA EAST AFRICA LIMITED

Auditor's responsibility for the financial statements (continued)

- 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 company'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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 the auditor's report. However, future events or conditions may cause the company 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 requirements

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was **CPA K V S K Sastry**, Practising Certificate No. P1228.

Patel Shah Joshi & Associates
Certified Public Accountants

Nairobi

.....**2020**

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 K Sh	2019 K Sh
Turnover		746,058,630	738,525,494
Cost of sales		(522,417,750)	(553,514,491)
Gross profit		223,640,879	185,011,003
Interest income		28,577	4,094
Net foreign exchange fluctuations		(23,866,777)	(185,028)
Administration costs		(70,180,379)	(69,093,189)
Marketing expenses		(100,236,593)	(96,575,133)
Other operating costs		(1,072,750)	(755,459)
Operating profit	3	28,312,957	18,406,287
Finance cost	4	(3,530,914)	(1,885,737)
Profit before tax		24,782,043	16,520,551
Tax	5	(9,366,180)	(6,198,729)
Net profit after tax		15,415,863	10,321,821
Other comprehensive income		-	-
Total comprehensive income for the year transferred to statement of changes in equity		15,415,863	10,321,821

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

ASSETS	Notes	2020 K Sh	2019 K Sh
Non-current assets			
Furniture, equipment & vehicles	6	3,229,341	2,296,416
Intangible assets	7	-	63,415
Deferred tax	8	51,795,588	61,153,195
		-----	-----
		55,024,929	63,513,026
		-----	-----
Current assets			
Inventories	9	178,763,154	197,293,735
Trade and other receivables	10	311,178,210	243,998,631
Cash and cash equivalents	11	27,252,991	17,004,710
Tax recoverable		-	3,505
		-----	-----
		517,194,355	458,300,581
		-----	-----
Total assets		572,219,284	521,813,607
		=====	=====
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	100,000	100,000
Revenue deficit		(138,427,564)	(153,843,427)
		-----	-----
		(138,327,564)	(153,743,427)
		-----	-----
Non-current liabilities			
Borrowings	13	54,268,145	50,183,668
		-----	-----
Current liabilities			
Trade and other payables	14	656,277,918	625,373,366
Tax payable		785	-
		-----	-----
		656,278,703	625,373,366
		-----	-----
Total equity and liabilities		572,219,284	521,813,607
		=====	=====

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on2020 and signed on its behalf by:-

DIRECTOR

DIRECTOR

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital K Sh	Revenue reserve K Sh	Total K Sh
Balance as at 1 April 2018	100,000	(164,165,249)	(164,065,249)
Total comprehensive income for the year	-	10,321,821	10,321,821
Balance as at 31 March 2019	100,000	(153,843,427)	(153,743,427)
Total comprehensive income for the year	-	15,415,863	15,415,863
Balance as at 31 March 2020	100,000	(138,427,564)	(138,327,564)

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 K Sh	2019 K Sh
Operating activities			
Cash used in operations	15	(12,474,365)	(30,834,655)
Tax paid		(4,284)	(615)
Net cash used in operating activities		(12,478,649)	(30,835,270)
Investing activities			
Acquisition of fixed assets	6	(2,005,676)	-
Net cash used in investing activities		(2,005,676)	-
Financing activities			
Repayment of interest	13	(1,141,755)	-
Net cash used in financing activities		(1,141,755)	-
Decrease in cash and cash equivalents		(15,626,079)	(30,835,270)
Movement in cash and cash equivalents			
At start of the year		17,004,710	47,774,643
Decrease during the year		(15,626,079)	(30,835,270)
Effect of exchange rate fluctuations		25,874,360	65,337
At end of the year	11	27,252,991	17,004,710

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

a) Accounting convention

The financial statements were prepared in accordance with and comply with International Financial Reporting Standards. They were prepared under the historical cost convention.

b) Depreciation

Depreciation is charged on fixed assets so as to write off their cost over their expected useful lives using the reducing balance method, at the following annual rates:-

Motor vehicles	25 %
Office equipment	12.5 %
Furniture & equipment	12.5 %

c) Intangible assets

The cost of computer software is capitalised on the basis of the total sums incurred by the company to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years.

d) Inventories

Inventories are consistently valued by the directors at the lower of cost and net realizable value with due allowance for any obsolete and slow moving items. Cost is determined by the weighted average cost method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

e) Trade and other receivables

Trade receivables are carried at original invoiced amounts less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect the amounts due. Such provisions are recognised in the statement of profit or loss as bad debts in the year in which they are identified.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances at bank.

g) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the year of the borrowing as an interest expense. Borrowings are classified as current liabilities unless the company has unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

h) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. SIGNIFICANT ACCOUNTING POLICIES

i) Foreign exchange fluctuations

Assets and liabilities in foreign currency are translated into Kenya shillings at the rate of exchange ruling at the statement of financial position date. Transactions during the year in foreign currency are translated at the rate of exchange ruling at the transaction date. Any exchange fluctuations are dealt with in the statement of profit or loss.

j) Taxation

Tax is provided at the rate of thirty per cent based on the results for the year as adjusted in accordance with the current tax legislation.

k) Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

l) Revenue recognition

Sales represents invoices raised during the year net of discounts and credit notes and excluding Value Added Tax (VAT).

All other income is recognised on receipt basis.

m) Comparative figures

Comparative figures are adjusted, wherever necessary, to conform to the changes in the presentation for the current year.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

2. MEASURES FOR THE FORTHCOMING YEAR

a) Marketing Strategy

During 2020-21 The company intends to restructure the marketing team by increasing the field staff force in order to increase the coverage in outstation Markets. Specialised Cardiac divisions and Neuro Psychiatry division expansion plans are also in place. Special focus on institutional business is planned and strategic plans are in place to increase the wholesale and retail business.

b) Operational efficiency

The Company carried out a goal setting exercise for all divisions. The focus was on market detailing, intensifying the reach to hospitals and doctors and providing useful feedback for management action and follow-up. This gave the company more operational control during the year thus no much change will happen in the year 2020-21.

c) Staffing

The Company added 4 staffs during 2019-20. In the year 2020-21 the company intends to add 4 more medical representatives and one institutional manager.

d) Cost reduction

During 2020-21, the Company will embark on economising major expenses such as rent with a view to achieving optimum return for the outlay on such support-related expenditure.

OUTLOOK 2020-21

The Company does not expect significant improved performance during 2020-21 and the years thereafter due to the current economic pandemic caused by Covid-19. However, the company will leverage the soft credit terms availed by the parent company to ensure constant availability of the entire range of products and will enhance the marketing and promotion efficiencies through constant feed-back initiative introduced during the year 2020-20, and improving control over the sales and marketing team.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 K Sh	2019 K Sh
3. OPERATING PROFIT		
is stated after charging:		
Amortisation of intangible assets	63,415	63,417
Auditors' remuneration	250,000	250,000
Depreciation	1,072,750	755,459
Directors' remuneration	11,470,271	10,358,423
Staff cost - Note 17	80,509,320	76,807,112
	=====	=====
4. FINANCE COST		
Interest on loan	3,218,649	1,962,428
Foreign exchange fluctuations	312,265	(76,691)
	-----	-----
	3,530,914	1,885,737
	=====	=====
5. TAX		
This comprises:		
Current tax	8,573	1,228
Deferred tax charge - Note 8	9,357,607	6,197,501
	-----	-----
Tax charge	9,366,180	6,198,729
	=====	=====
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	24,782,043	16,520,551
	-----	-----
Tax calculated at the rate of 30%	7,434,613	4,956,165
Tax effects of :-		
Expenses not deductible for tax purposes	1,930,974	1,241,773
Permanent difference on motor vehicles restriction	593	791
	-----	-----
Tax charge	9,366,180	6,198,729
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. FURNITURE, EQUIPMENT AND VEHICLES

	Furniture & Equipment K Sh	Office Equipment K Sh	Motor Vehicles K Sh	Computers & Related Equipments	Total K Sh
COST					
As at 01 April 2019	55,125	26,680	6,075,000	-	6,156,805
Additions	-	43,616	1,777,060	185,000	2,005,676
	-----	-----	-----	-----	-----
As at 31 March 2020	55,125	70,296	7,852,060	185,000	8,162,481
	-----	-----	-----	-----	-----
DEPRECIATION					
As at 01 April 2019	18,196	11,040	3,831,153	-	3,860,389
Charge for the year	4,616	7,407	1,005,227	55,500	1,072,750
	-----	-----	-----	-----	-----
As at 31 March 2020	22,812	18,447	4,836,380	55,500	4,933,139
	-----	-----	-----	-----	-----
CARRYING VALUES					
As at 31 March 2020	32,313	51,849	3,015,680	129,500	3,229,341
	=====	=====	=====	=====	=====
As at 31 March 2019	36,929	15,640	2,243,848	-	2,296,416
	=====	=====	=====	=====	=====

	2020 K Sh	2019 K Sh
7. INTANGIBLE ASSETS		
At start of year	317,083	317,083
	-----	-----
At end of year	317,083	317,083
	-----	-----
Amortisation		
At start of year	253,668	190,251
Charge for the year	63,415	63,417
	-----	-----
At end of year	317,083	253,668
	-----	-----
CARRYING VALUE		
As at 31 March	-	63,415
	=====	=====

Intangible assets refer to the cost of acquisition of tally accounting software & payroll software.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019	
8. DEFERRED TAX	K Sh	K Sh	
Deferred taxes are calculated, in full, on all temporary differences under the liability method using an enacted tax rate of 30%. The movement of deferred tax account is as follows:			
At start of year	(61,153,195)	(67,350,696)	
Charge to profit or loss - Note 5	9,357,607	6,197,501	
	-----	-----	
At end of year	(51,795,588)	(61,153,195)	
	-----	-----	
Deferred tax asset and deferred tax charge in the statement of profit or loss is attributable to the following items:			
	01-Apr-19	Charge to	31-Mar-20
		P / L	
	K Sh	K Sh	K Sh
Deferred tax asset			
Tax losses carried forward	(61,133,737)	17,345,805	(43,787,932)
Unrealised exchange differences	(19,458)	(7,988,198)	(8,007,656)
	-----	-----	-----
Net deferred tax asset	(61,153,195)	9,357,607	(51,795,588)
	=====	=====	=====
9. INVENTORIES			
Stock-in-trade	136,739,190	193,946,579	
Merchandise-in- transit	42,023,964	3,347,157	
	-----	-----	
	178,763,154	197,293,735	
	=====	=====	
10. TRADE AND OTHER RECEIVABLES			
Trade receivables	300,576,883	236,027,433	
Other receivables	8,951,171	6,736,144	
Prepayments	1,650,155	1,235,054	
	-----	-----	
	311,178,210	243,998,631	
	=====	=====	
11. CASH AND CASH EQUIVALENTS			
Cash in hand	70,544	30,667	
Balances at bank	27,182,447	16,974,043	
	-----	-----	
	27,252,991	17,004,710	
	=====	=====	

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise of the above.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 K Sh	2019 K Sh
12. SHARE CAPITAL		
Authorized, issued & fully paid-up:		
1,000 Ordinary Shares of K Sh 100 each	100,000	100,000
	=====	=====
13. BORROWINGS		
Non - current		
Loan from related party - Note 16	54,268,145	50,183,668
	=====	=====
<p>The loan from related party (Sun Pharma Global FZE) carries interest at 4% per annum on outstanding principal amount from 1st April 2015. The loan is unsecured and has no fixed repayment schedule.</p>		
14. TRADE AND OTHER PAYABLES		
Trade payables	13,166,395	2,592,823
Provisions and accruals	2,243,030	13,607,499
Balance due to related party - Note 16	640,868,492	609,173,043
	-----	-----
	656,277,918	625,373,366
	=====	=====
15. CASH USED IN OPERATIONS		
Reconciliation of profit before tax to cash used in operations:		
Profit before tax	24,782,043	16,520,551
Adjustments for:		
Amortisation of intangible asset	63,415	63,417
Depreciation	1,072,750	755,459
Effect of exchange rate fluctuations	(23,866,777)	(185,028)
Interest expense	3,218,649	1,962,428
Changes in working capital:		
Decrease in inventories	18,530,582	25,520,696
Increase in receivables	(67,179,579)	(27,623,685)
Increase / (decrease) in payables	30,904,552	(47,848,492)
	-----	-----
Cash used in operations	(12,474,365)	(30,834,655)
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 K Sh	2019 K Sh
16. RELATED PARTY TRANSACTIONS		
The following arm's length transactions were carried out with parties which are related through common shareholding and / or common directorships.		
Purchases of goods	473,298,912 =====	436,729,684 =====
Interest charged on loan	3,218,649 =====	1,962,428 =====
The following amounts are due to related parties:		
Payables to related party - Note 14		
Sun Pharmaceuticals Industries Ltd	640,868,492 =====	609,173,043 =====
Borrowing from related party - Note 13		
Sun Pharma Global FZE	54,268,145 =====	50,183,668 =====
17. STAFF COST		
Directors' remuneration	11,470,271 -----	10,358,423 -----
Salaries and wages - Administrative	41,018,310	39,405,290
Salaries and wages - Marketing	38,230,764	34,498,316
Staff welfare	1,260,246	2,903,505
	80,509,320 =====	76,807,112 =====

The average number of staff in employment during the year was 56 (2019:52).

18. INCORPORATION AND DOMICILE

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

19. CURRENCY

These financial statements are presented in Kenya Shillings (K Sh).

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

20. FINANCIAL RISK MANAGEMENT POLICIES

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency, interest rates as well as changes in market prices of company's products. The company's overall risk management programme focuses on unpredictability of changes in business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The company's financial risk management objectives and policies are detailed below:

a) Capital risk

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return through the optimum use of the available resources. The capital structure of the company consists of paid up capital, retained earnings and external borrowings. The company endeavours to maximize the return on each component.

b) Credit risk

The company's credit risk is primarily attributable to trade receivables and trade payables. The company constantly monitors its credit risks on these aspects in line with its overall risk management policies and responds to specific situations within the parameters set. The company does not hedge any risks and has in place policies to ensure that credit is extended to customers with established credit history.

c) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's borrowings. Further, the company, from time to time, in order to position itself for expected demand for liquid funds, holds deposits with institutions which also is a subject of interest rate risk. The company manages the risk by a constant contact with the financial markets in order to optimize its revenue and expense and responds to any adverse situations in accordance with the general trends in financial markets.

d) Liquidity risk

The company manages its liquidity risk by intelligent treasury management practices, formulated on the basis of constant assessment of its requirements, present and future and sourcing of funds - internal or external including ploughing back of its own financial resources.

e) Market risk

The company's market risk stems from procurement of its inputs and distribution of its products. The company closely monitors the implementation of its procurement policy, inventory policy as well as credit policy with a view to optimize its market share as well as to respond to external threats. The company regularly reviews its core strengths and seeks to put such strengths to optimum use to maintain its niche in the market - present and future.

SUN PHARMA EAST AFRICA LIMITED

Annex I

**DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 K Sh	2019 K Sh
Turnover	746,058,630	738,525,494
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Less: Cost of sales		
Opening stock	197,293,735	222,814,431
Purchases	497,049,369	517,839,851
Product registration fees & regulatory expenses	6,837,800	10,153,944
Closing stock	(178,763,154)	(197,293,735)
	-----	-----
Cost of sales	522,417,750	553,514,491
	-----	-----
Gross profit	223,640,879	185,011,003
Foreign exchange fluctuations	(23,866,777)	(185,028)
Interest income	28,577	4,094
	-----	-----
	199,802,679	184,830,069
	-----	-----
Less: Expenses		
Administration	70,180,379	69,093,189
Marketing	100,236,593	96,575,133
Finance	3,530,914	1,885,737
Depreciation	1,072,750	755,459
	-----	-----
	175,020,636	168,309,518
	-----	-----
Profit before tax	24,782,043	16,520,551
	=====	=====

**SCHEDULE OF EXPENSES
FOR THE YEAR ENDED 31 MARCH 2020**

	2020	2019
	K Sh	K Sh
ADMINISTRATION		
Accountancy fees	2,179,200	1,925,000
Amortisation charge	63,415	63,417
Audit fees	250,000	250,000
Bank charges	447,227	443,074
Computer expenses	102,000	87,649
Directors' remuneration	11,470,271	10,358,423
Immigration & work permit expenses	1,603,187	976,728
Insurance	2,427,930	1,409,919
License	49,500	73,000
Motor vehicles running expenses	384,116	558,764
Postage, telephone and internet	1,160,787	1,183,040
Printing & stationery	221,044	196,658
Professional fees	112,164	536,159
Rent expenses	5,846,403	5,869,152
Salaries and wages	41,018,310	39,405,290
Secretarial fees	17,500	55,668
Staff welfare	1,260,246	2,903,505
Subscription	10,000	10,000
Travelling expenses	1,402,079	2,537,189
Training & development	155,000	250,554
	-----	-----
	70,180,379	69,093,189
	=====	=====
MARKETING		
Marketing expenses	38,230,764	34,498,316
Salaries and wages	35,237,934	35,590,799
Travelling expenses	26,767,895	26,486,018
	-----	-----
	100,236,593	96,575,133
	=====	=====
FINANCE COST		
Interest on loan	3,218,649	1,962,428
Foreign exchange fluctuations	312,265	(76,691)
	-----	-----
	3,530,914	1,885,737
	=====	=====
DEPRECIATION		
Computer & computer equipments	55,500	-
Motor vehicles	1,005,227	747,949
Office equipment	7,407	2,234
Furniture, fittings & equipment	4,616	5,276
	-----	-----
	1,072,750	755,459
	=====	=====