

SUN LABORATORIES FZE

Financial Statements

31 March 2016

SUN LABORATORIES FZE

Financial Statements
31 March 2016

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SUN LABORATORIES FZE
Director's Report

The director submits his report and accounts for the year ended 31 March 2016.

Results

The results of the establishment and the appropriations made for the year ended 31 March 2016 are set out on pages 4 & 5 of the financial statements.

Review of the business

The establishment has not carried out its licensed activity of general trading 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 at 31 March 2016 and its interest as at that date in the share capital of the establishment was as follows:

	<i>No. of shares</i>	<i>AED</i>
Sun Pharma Holdings, Mauritius	<u>300</u>	<u>45,000,000</u>

Auditors

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

Rajesh K. Shah
DIRECTOR

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

Report on the Financial Statements

We have audited the accompanying financial statements of SUN LABORATORIES FZE, which comprise the statement of financial position as at 31 March 2016, 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 a 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 International Financial Reporting Standards and the applicable provisions of implementing rules and regulations issued by 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.

Auditors' 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' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the establishment'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 of the establishment's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statements of financial position of SUN LABORATORIES FZE as at 31 March 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the Note 2 to the financial statements, which states that the shareholder's equity funds have significantly depleted resulting from impairment loss incurred during the year. This condition, along with other matter as set out in Note 2, indicate the existence of a material uncertainty that may cast significant doubt over the establishment's ability to continue as a going concern. The establishment's management has confirmed its intention to continue to arrange funding for the establishment for a period of not less than 12 months from the date of approval of these financial statements, to enable it to meet its liabilities as they fall due and commence establishment licensed activity. Accordingly, these financial statements have been prepared on a going concern basis.

Report on Other Legal and Regulatory Requirements

Also, in our opinion and according to the information available to us, 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

26 April 2016

Dubai

SUN LABORATORIES FZE

Statement of Financial Position
31 March 2016

	<i>Notes</i>	<i>2016</i> <i>USD</i>	<i>2015</i> <i>USD</i>
ASSETS			
Non-current asset			
Investment in a jointly controlled entity	4	<u>10,341</u>	<u>12,051,841</u>
Current assets			
Deposit		953	953
Prepayments		8,986	8,986
Cash and cash equivalents	5	<u>65,768</u>	<u>146,995</u>
		<u>75,707</u>	<u>156,934</u>
Total assets		<u><u>86,048</u></u>	<u><u>12,208,775</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Shareholder's funds			
Share capital	6	12,251,565	12,251,565
Accumulated losses		<u>(15,866,129)</u>	<u>(43,334)</u>
Total shareholder's funds		<u><u>(3,614,564)</u></u>	<u><u>12,208,231</u></u>
Non-current liability			
Long-term loan	7	<u>3,700,000</u>	<u>-</u>
Current liability			
Accrual		<u>612</u>	<u>544</u>
		<u>612</u>	<u>544</u>
Total liabilities		<u><u>3,700,612</u></u>	<u><u>544</u></u>
Total equity and liabilities		<u><u>86,048</u></u>	<u><u>12,208,775</u></u>

The notes on pages 7 to 11 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2016

	<i>Note</i>	<i>2016</i> <i>USD</i>	<i>2015</i> <i>USD</i>
Revenue		<u>-</u>	<u>-</u>
Expenses			
Impairment loss	4	(15,811,934)	-
Lease and license fee		(8,168)	(8,168)
Other administrative expenses		<u>(2,693)</u>	<u>(4,506)</u>
Loss for the year		(15,822,795)	(12,674)
Other comprehensive income/(loss)		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(15,822,795)</u>	<u>(12,674)</u>

The notes on pages 7 to 11 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Changes in Equity
for the year ended 31 March 2016

	<i>Share capital USD</i>	<i>Accumulated losses USD</i>	<i>Total USD</i>
As at 31 March 2014	12,251,565	(30,660)	12,220,905
Loss for the year	-	(12,674)	(12,674)
As at 31 March 2015	12,251,565	(43,334)	12,208,231
Loss for the year	-	(15,822,795)	(15,822,795)
As at 31 March 2016	<u>12,251,565</u>	<u>(15,866,129)</u>	<u>(3,614,564)</u>

The notes on pages 7 to 11 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Cash Flows
for the year ended 31 March 2016

	<i>Note</i>	<i>2016</i> <u>USD</u>	<i>2015</i> <u>USD</u>
<u>Cash flows from operating activities</u>			
Loss for the year		(15,822,795)	(12,674)
Adjustment for:			
Impairment loss		<u>15,811,934</u>	<u>-</u>
Operating loss before working capital changes		(10,861)	(12,674)
(Increase)/decrease in deposit and prepayments		-	(8,986)
Increase/ (decrease) in other payables and accruals		<u>68</u>	<u>-</u>
Net cash from/ (used in) operating activities		<u>(10,793)</u>	<u>(21,660)</u>
<u>Cash flows from investing activity</u>			
Payment for investment in a jointly controlled entity (net)		<u>(3,770,434)</u>	<u>(2,450,000)</u>
Net cash from/ (used in) investing activity		<u>(3,770,434)</u>	<u>(2,450,000)</u>
<u>Cash flows from financing activity</u>			
Proceeds from/(payment of) related party balances (net)		<u>3,700,000</u>	<u>(749)</u>
Net cash from/ (used in) investing activity		<u>3,700,000</u>	<u>(749)</u>
Net increase/ (decrease) in cash and cash equivalents		(81,227)	(2,472,409)
Cash and cash equivalents at beginning of year		<u>146,995</u>	<u>2,619,404</u>
Cash and cash equivalents at end of year	5	<u><u>65,768</u></u>	<u><u>146,995</u></u>

The notes on pages 7 to 11 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2016****1. Legal status and activity**

SUN LABORATORIES FZE is a limited liability establishment incorporated 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 ultimate shareholder company is **SUN PHARMACEUTICAL INDUSTRIES LIMITED**, India.

The establishment is operating under commercial license number 09137 with general trading as its licensed activity.

2. Basis of preparation

The shareholder's equity funds have significantly depleted resulting from impairment loss incurred during the year. The establishment currently is not having any ventures in hand as of the date of approval of the financial statements for the year then ended. The establishment's management has confirmed its intention to continue to arrange funding for the establishment for a period of not less than 12 months from the date of approval of these financial statements, to enable it to meet its liabilities as they fall due and commencing its operations and generating sufficient cash flows. Accordingly, these financial statements have been prepared on a going concern basis.

Statement of compliance

The financial statements, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee and the applicable requirements of U.A.E. laws.

Basis of measurement

The financial statements have been prepared under the historical cost basis.

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, revenues, 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.

SUN LABORATORIES FZE**Notes to the Financial Statements
for the year ended 31 March 2016****Basis of preparation (cont'd)***Use of estimates and judgements (cont'd)*

There are no areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

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

The establishment adopted all applicable accounting standards and amendments which are effective for annual periods beginning on or after 1 January 2015. 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 in dealing with items that are considered material in relation to the financial statements are as follows:

Investment in jointly controlled entities

A jointly controlled entity is an entity in which the establishment has a long term equity interest and of which its financial and operating policies are under contractual arrangements jointly controlled by the establishment and other parties.

Investments in jointly controlled entities are carried in the financial statements at cost plus the establishment's share of their post-acquisition results less dividends received and provision for impairment.

Results of a jointly controlled entity to the extent of the establishment's share will be accounted in the financial statements of the establishment.

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

The financial assets comprise bank balance and deposit.

Other receivables

Other current financial asset represents refundable deposit with a maturity date of more than three months from date of deposit.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2016**Financial instruments (cont'd)***Cash and cash equivalents*

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

Financial liabilities

The financial liabilities comprise other payables.

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.

Foreign currency transactions

Transactions in foreign currencies are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in foreign currencies 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.

4. Investment in jointly controlled entity

Pursuance to the joint venture agreement with MSD Human Health Holding B.V to carry on the business in pharmaceuticals, the establishment has made contribution to MSD SUN LLC, Delaware the joint venture entity in which each partner holds 50% share. MSD SUN FZ LLC situated at Dubai Technology and Media Free Zone Authority, United Arab Emirates, a wholly owned subsidiary of MSD SUN LLC is carrying on the development, procurement and commercialization of pharmaceutical products.

Effective 12 February 2016, a Wind-Down and Dissolution Agreement has been entered into by and among the establishment, MSD Human Health Holding B.V., a Dutch BV ("MSD") and MSD SUN FZ LLC for the purpose of dissolving MSD SUN LLC and MSD SUN FZ LLC.

Furthermore, there have been no accruals made in respect of wind up costs of Joint Venture entity and its wholly owned subsidiary.

5. Cash and cash equivalents

This represents bank balance in current account with a bank.

6. Share capital**Authorised, issued and paid-up:**

300 shares of AED 150,000 each (*converted @ 3.673*)

2016
USD

2015
USD

12,251,565 12,251,565

7. Long-term loan

This represents unsecured, non-interest bearing and classified by the management as long term loan from a related party.

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Notes to the Financial Statements
for the year ended 31 March 2016**8. Related parties 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 shareholder company, the parent company, party to joint business venture, the companies under common ownership and / or common management control and the directors of the establishment as under:

- Sun Pharmaceutical Industries Ltd., India – *Ultimate shareholder company*
- Sun Pharma Holdings, Mauritius – *Parent company*
- MSD Sun LLC – *Party to a joint venture/Jointly controlled entity*
- Sun Pharma Global FZE - *Company under common ownership*
- Mr. Surendra Manishanker Joshi – *Director*
- Mr. Rajesh K. Shah – *Director*

During the year the establishment has made additional contribution to a jointly controlled entity.

The establishment also receives funds from and provide funds to the related parties as and when required to meet with fund requirement. The year-end related parties' balances are as under:

	<u>2016</u> <u>USD</u> <u>Dr./.(Cr)</u>	<u>2015</u> <u>USD</u> <u>Dr./.(Cr)</u>
Investment in jointly controlled entity:		
MSD Sun LLC	10,341	12,051,841
Due to a related party:		
Sun Pharma Global FZE	(3,700,000)	-

9. 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 current accounts and other receivables. The establishment's bank current account is placed with high credit quality financial institutions.

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 shareholder company and the management who ensure that sufficient funds are made available to the establishment to meet any future commitments.

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.

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Notes to the Financial Statements
for the year ended 31 March 2016

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

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. In absence of interest bearing borrowings, there are no interest rate risk.

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. There are no significant currency risks as substantially all financial assets and financial liabilities are denominated in the US Dollars or UAE Dirham to which the US Dollars is fixed.

10. Contingent liabilities and capital commitments

There were no contingent liabilities and capital commitments of significant amount outstanding at the date of statement of financial position.

11. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.

12. Approval of the financial statements

The financial statements were approved by the owner and authorised for issue on 26 April 2016.

Rajesh K. Shah
DIRECTOR