

**SUN LABORATORIES FZE**

**Financial Statements**

*31 March 2015*

**SUN LABORATORIES FZE**

**Financial Statements**

***31 March 2015***

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**SUN LABORATORIES FZE**  
**Manager's Report**

The manager submits his report and accounts for the year ended 31 March 2015.

**Results**

The results of the establishment and the appropriations made for the year ended 31 March 2015 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 as at 31 March 2015 and its interests as at that date in the share capital of the company were as follows:

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

**Auditors**

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

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Mr. Vishwanath Vinayak Kenkare  
**MANAGER**

## 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 2015 and 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 company'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 company'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 read with note 2.1, present fairly, in all material respects the statements of financial position of SUN LABORATORIES FZE as at 31 March 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### 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

7 May 2015

Dubai

## SUN LABORATORIES FZE

Statement of Financial Position  
31 March 2015

	<i>Notes</i>	<i>2015</i> <i>USD</i>	<i>2014</i> <i>USD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in a jointly controlled entity	4	<u>12,051,841</u>	<u>9,601,841</u>
<b>Current assets</b>			
Deposit		953	953
Prepayments		8,986	
Cash and cash equivalents	5	<u>146,995</u>	<u>2,619,404</u>
		<u>156,934</u>	<u>2,620,357</u>
<b>Total assets</b>		<u><b>12,208,775</b></u>	<u><b>12,222,198</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
<b>Shareholder's funds</b>			
Share capital	6	12,251,565	12,251,565
Accumulated losses		<u>(43,334)</u>	<u>(30,660)</u>
<b>Total shareholder's funds</b>		<u><b>12,208,231</b></u>	<u><b>12,220,905</b></u>
<b>Current liabilities</b>			
Due to a related party	7	-	749
Accrual		<u>544</u>	<u>544</u>
<b>Total current liabilities</b>		<u><b>544</b></u>	<u><b>1,293</b></u>
<b>Total liabilities</b>		<u><b>544</b></u>	<u><b>1,293</b></u>
<b>Total equity and liabilities</b>		<u><b>12,208,775</b></u>	<u><b>12,222,198</b></u>

*The notes on pages 7 to 12 form an integral part of these financial statements.*

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Mr. Vishwanath Vinayak Kenkare  
**MANAGER**

## SUN LABORATORIES FZE

Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 March 2015

	<i>2015</i> <i>USD</i>	<i>2014</i> <i>USD</i>
<b>Expenses</b>		
Rent	(4,084)	(4,084)
Trade license fee	(4,084)	(4,084)
Other administrative expenses	<u>(4,506)</u>	<u>(1,767)</u>
<b>Net loss for the year</b>	<b>(12,674)</b>	<b>(9,935)</b>
Other comprehensive income/(loss)	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(12,674)</u></b>	<b><u>(9,935)</u></b>

*The notes on pages 7 to 12 form an integral part of these financial statements.*

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Mr. Vishwanath Vinayak Kenkare  
**MANAGER**

## SUN LABORATORIES FZE

Statement of Changes in Equity  
for the year ended 31 March 2015

	<i>Share capital USD</i>	<i>Accumulated losses USD</i>	<i>Total USD</i>
As at 31 March 2013	12,251,565	(20,725)	12,230,840
Net loss for the year	_____ -	_(9,935)	_____(9,935)
<b>As at 31 March 2014</b>	<b>12,251,565</b>	<b>(30,660)</b>	<b>12,220,905</b>
Net loss for the year	_____ -	_(12,674)	_____(12,674)
<b>As at 31 March 2015</b>	<b><u>12,251,565</u></b>	<b><u>(43,334)</u></b>	<b><u>(12,208,231)</u></b>

*The notes on pages 7 to 12 form an integral part of these financial statements.*

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Mr. Vishwanath Vinayak Kenkare  
MANAGER



## SUN LABORATORIES FZE

Statement of Cash Flows  
for the year ended 31 March 2015

	<i>Note</i>	<i>2015</i> <u>USD</u>	<i>2014</i> <u>USD</u>
<b><u>Cash flows from operating activities</u></b>			
Net loss for the year		(12,674)	<u>(9,935)</u>
<b>Operating loss before working capital changes</b>		<b>(12,674)</b>	<b>(9,935)</b>
(Increase)/decrease in deposit and prepayments		(8,986)	8,987
Increase/ (decrease) in other payables and accruals		<u>-</u>	<u>124</u>
<b>Net cash from/ (used in) operating activities</b>		<b><u>(21,660)</u></b>	<b><u>(824)</u></b>
<b><u>Cash flows from investing activity</u></b>			
Payment for investment in a jointly controlled entity		(2,450,000)	<u>(5,175,000)</u>
<b>Net cash from/ (used in) investing activity</b>		<b><u>(2,450,000)</u></b>	<b><u>(5,175,000)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Proceeds from/(payment of) related party balances (net)		(749)	749
Funds introduced by the shareholder (net)		<u>-</u>	<u>7,772,341</u>
<b>Net cash from/ (used in) investing activities</b>		<b><u>(749)</u></b>	<b><u>7,773,090</u></b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>(2,472,409)</b>	<b>2,597,266</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,619,404</b>	<b>22,138</b>
<b>Cash and cash equivalents at end of year</b>	<b>5</b>	<b><u>146,995</u></b>	<b><u>2,619,404</u></b>

*The notes on pages 7 to 12 form an integral part of these financial statements.*

Mr. Vishwanath Vinayak Kenkare  
Manager



**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2015****1. Legal status and business 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 and operating under the Trade License No. 09137. The registered address of the establishment is Saif Plus R5 – 30/B, P. O. Box 7818, Sharjah, United Arab Emirates.

As resolved on 29 March 2014, ownership of the company were transferred from Sun Pharma Global Inc, BVI to Sun Pharma Holdings, Mauritius. However, the legal formalities related to change in ownership has been completed on 29 January 2015.

The ultimate shareholder company is Sun Pharmaceutical Industries Limited – India.

The establishment has not carried out its licensed activity of general trading during the year.

**2. Basis of preparation and significant accounting policies****Basis of preparation**

2.1 For the year ended 31 March 2015, the joint venture entity (“MSD Sun LLC”) has incurred a loss amounting to USD 15.8 Million and has deficit in net worth of USD 13.1 Million. The parties to joint venture are required under the terms of the agreement to make additional contributions to its wholly owned subsidiary (“MSD Sun FZ LLC”) for any shortfalls in annual operating budget and have confirmed their intention to continue to arrange funding for its wholly owned subsidiary to enable it to meet its liabilities as they become due and to carry on its business without a significant curtailment of operation for a period of at least 12 months from the date of issuance of these financial statements. Accordingly, these financial statements have been prepared on a going concern basis.

2.2 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. The financial statements have been presented in US Dollars (USD), being the functional currency of the company.

The financial statements have been prepared under the historical cost basis. Historical cost is based on the fair value of the consideration given to acquire the asset of cash equivalents expected to be paid to satisfy the liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**2.3 First time adoption of IFRS**

These financial statements, for the year ended 31 March 2015, are the first the company has prepared in accordance with IFRS. For years up to and including the year ended 31 March 2014, the company prepared its financial statements in accordance with accounting principles generally accepted in United Arab Emirates. However, there is no change in accounting principles/policies followed by the company. Accordingly, the company has prepared financial statements which comply with IFRS applicable for years ending on or after 31 March 2015.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2015****2.4 Significant accounting estimates, judgments and assumptions**

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 year 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 3.

**2.5 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 company 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 assets and financial liabilities**

Financial assets and liabilities are recognized when the establishment becomes a party to the contractual provisions of the instrument and de-recognized when the company loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Liabilities are recognized for amounts to be paid in future for goods or services received, whether invoiced by the supplier or not.

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the company has a legal enforceable right to set-off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets are classified into the following specified categories: Financial assets at fair value through profit or loss, trade and other receivables, held to maturity investments or available for sale financial assets. The company determines the classification of its financial assets at initial recognition. The particular recognition methods adopted by the company are disclosed in the individual policy statements associated with each item of financial instruments.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2015****Summary of significant accounting policies (cont'd)****Financial assets and financial liabilities (cont'd)**

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The company's financial liability consists of other payables. The financial assets include bank balance and deposit.

*Other receivables*

Other receivables are stated at their cost less impairment losses, if any.

*Cash and cash equivalents*

Cash and cash equivalents for the purpose of the statement of cash flows comprise cash, bank current account, and deposits free of encumbrance with a maturity date of three months or less from the date of deposit and highly liquid investments with a maturity date of three months or less from the date of investment.

*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 exchange difference is taken to the statement of profit or loss and other comprehensive income.

**3. Significant accounting judgments employed in applying accounting policies and key sources of estimation uncertainties****3.1 Significant judgments employed**

The significant judgments made in applying accounting policies that have most significant effect on the amounts recognized in the financial statements pertains to impairment. At each reporting date, management conducts an assessment of property and equipment, and all financial assets to determine whether there are any indications that they may be impaired.

In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to profit or loss and other comprehensive income or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

**3.2 Sources of estimation and 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:

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2015

## Sources of estimation and uncertainty (cont'd)

**Impairment of other receivables**

Management regularly undertakes a review of the amounts of other receivables and assess the likelihood of non-recovery. Such assessment is based upon the age of the debt, historic recovery rates and assessed credit worthiness of the receivable. Based on the assessment assumptions are made as to the level of provisioning required.

**4. Investment in jointly controlled entity**

Pursuance to the joint venture agreement with Merck Sharp & Dohme BV 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 hold 50% share. MSD SUN FZ LLC situated at Dubai Technology and Media Free Zone Authority, United Arab Emirates and a wholly owned subsidiary of MSD SUN LLC is carrying on the development, procurement and commercialization of pharmaceutical products.

**5. Cash and cash equivalents**

This represents bank balance in current accounts with a bank.

	<i>2015</i>	<i>2014</i>
	<i>USD</i>	<i>USD</i>
<b>6. Share capital</b>		
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>

**7. 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 company 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:

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2015

## Related parties balances (cont'd)

	<i>2015</i> <i>USD</i> <i>Dr./.(Cr)</i>	<i>2014</i> <i>USD</i> <i>Dr./.(Cr)</i>
Investment in jointly controlled entity: MSD Sun LLC	12,051,841	9,601,841
Due to a related party: Sun Pharma Global FZE	-	(749)

## 8. Capital risk management

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

## 9. Financial instruments: Credit, liquidity interest rate and exchange rate 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 company to concentrations of credit risk comprise principally of bank current accounts and other receivables. The company's bank current account is placed with high credit quality financial institutions.

**Liquidity risk**

The company limits their liquidity risk by ensuring bank and other facilities are available to meet its commitments for liabilities as they fall due.

**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.

**Exchange rate risk**

Exchange rate 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 exchange rate 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.



**SUN LABORATORIES FZE**

**Notes to the Financial Statements**  
*for the year ended 31 March 2015*

**12. Approval of the financial statements**

The financial statements were approved by the owner and authorised for issue on 7 May 2015.

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Mr. Vishwanath Vinayak Kenkare  
**MANAGER**