SUN LABORATORIES FZE

Financial Statements

31 March 2019

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Financial Statements
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Director's Report

The director submits his report together with the audited financial statements for the year ended 31 March 2019.

Results and appropriations

The results of the establishment and the appropriations made for the year ended 31 March 2019 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 2019, the financial performance, changes in equity and cash flows of the establishment for the year then ended in accordance with the applicable provisions of the Sharjah Airport International Free Zone Authority and International Financial Reporting Standards.

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. Also, the establishment has acquired contractual rights from a local establishment.

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 2019 and its interest as at that date in the share capital of the establishment was as under:

	Country of incorporation	No. of shares	AED	USD
Sun Pharma Holdings	Mauritius	**300**	**45,000,000**	**12,251,565**

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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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 2019, 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 2019, 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 ethical requirements that are relevant to our audit of the financial statements in United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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:

- 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

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

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 matters 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
16 May 2019
Dubai

SUN LABORATORIES FZE

Statement of Financial Position
31 March 2019

	Notes	2019 USD	2018 USD
ASSETS			
Non-current assets			
Property, plant and equipment	5	-	-
Intangible assets	6	291,837,836	301,804
		291,837,836	**301,804**
Current assets			
Trade receivables	7	34,377,335	34,307,646
Advances, deposits and other receivables	8	304,486	58,707
Prepayments		8,986	9,035
Cash and bank balances	9	4,178,353	7,833,103
		38,869,160	**42,208,491**
Total assets		**330,706,996**	**42,510,295**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	12,251,565	12,251,565
Accumulated losses		(14,426,328)	(16,334,230)
Total equity		**(2,174,763)**	**(4,082,665)**
Non-current liability			
Long-term loan	11	**304,271,360**	**-**
Current liabilities			
Trade payables	12	28,340,575	46,319,448
Other payables and accruals	13	269,824	273,512
		28,610,399	**46,592,960**
Total liabilities		**332,881,759**	**46,592,960**
Total equity and liabilities		**330,706,996**	**42,510,295**

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 2019

	Notes	2019 USD	2018 USD
Sales	14	78,241,037	61,708,341
Cost of sales	15	(70,889,839)	(55,017,784)
Gross profit		**7,351,198**	**6,690,557**
Other income	16	256,876	4,956
Expenditure			
Professional, promotional and marketing expenses		(4,780,279)	(5,331,132)
Lease and license fee		(22,039)	(8,459)
Other administrative expenses		(377,378)	(105,878)
Impairment of property, plant and equipment	5	(14,979)	-
Amortisation	6	(301,704)	(17,681)
Interest on long term loan	17	(203,793)	-
Total expenditure		**(5,700,172)**	**(5,463,150)**
Profit for the year		**1,907,902**	**1,232,363**
Other comprehensive income		-	-
Total comprehensive income for the year		**1,907,902**	**1,232,363**

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 2019

	Share capital USD	*Accumulated losses USD*	*Total USD*
As at 31 March 2017	**12,251,565**	**(17,566,593)**	**(5,315,028)**
Profit for the year	-	1,232,363	1,232,363
As at 31 March 2018	**12,251,565**	**(16,334,230)**	**(4,082,665)**
Profit for the year	-	1,907,902	1,907,902
As at 31 March 2019	**12,251,565**	**(14,426,328)**	**(2,174,763)**

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 2019

	Note	2019 USD	2018 USD
Cash flows from operating activities			
Profit for the year		1,907,902	1,232,363
Adjustment for:			
Finance cost		203,793	-
Interest income		(8,741)	-
Impairment of property, plant and equipment		14,979	-
Amortisation		301,704	17,681
Operating profit before working capital changes		**2,419,637**	**1,250,044**
Increase in trade, other receivables and prepayments		(291,317)	(33,073,976)
Increase/(decrease) in trade and other payables		(4,183,070)	45,095,128
Net cash from/ (used in) operating activities		**(2,054,750)**	**13,271,196**
Cash flows from investing activities			
Receipt from investment in a jointly controlled entity		-	10,341
Payment for purchase of intangible asset		(1,600,000)	(319,485)
Placement of term deposit		(550,000)	-
Net cash from/ (used in) investing activities		**(2,150,000)**	**(309,144)**
Cash flows from financing activity			
(Payment) / receipt of long-term loan (net)		-	(5,300,000)
Net cash from/(used in) financing activity		**-**	**(5,300,000)**
Net increase/ (decrease) in cash and cash equivalents		**(4,204,750)**	**7,662,052**
Cash and cash equivalents at the beginning of the year		**7,833,103**	**171,051**
Cash and cash equivalents at the end of the year	9	**3,628,353**	**7,833,103**

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 2019

1. Legal status and activity

SUN LABORATORIES FZE (the “establishment”) 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 establishment is a wholly owned subsidiary of **SUN PHARMA HOLDINGS**, Mauritius. The ultimate parent company is **SUN PHARMACEUTICAL INDUSTRIES LIMITED**, India.

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

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

As at 31 March 2019, the establishment’s equity funds show deficit of USD 2,174,763 *(previous year USD 4,082,665)* after adjusting net profit for the year of USD 1,907,902 *(previous year USD 1,232,363)*. 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 under 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 2019

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 adopted the following standards and amendments which are effective for annual periods beginning on or after 1 January 2018:

IFRS 15 - *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The establishment has applied IFRS 15 - *Revenue from Contracts with Customer* which is effective 1 January 2018. The establishment recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the establishment satisfies a performance obligation

IFRS 9 - *Financial Instruments*

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. For financial receivables, IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. For equity instruments, IFRS 9 now requires measurement of all financial assets at fair value and provides an irrevocable option to measure certain securities at FVOCI rather than through profit or loss. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model.

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

The new impairment model applies to financial assets measured at amortized cost, contract assets and assets at FVOCI.

The adoption of these new standards 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 2018, 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.

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.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Summary of significant accounting policies (cont'd)

Intangible assets (cont'd)

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 company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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 receivables

Other current financial assets represent advances, vat receivable 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.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2019

Summary of significant accounting policies (cont'd)

- 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.

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.

Taxation

Value added tax
Expenses and assets are recognized net of the amount of value added tax, 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 value added tax 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 value added tax included.

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

Summary of significant accounting policies (cont'd)

Revenue recognition

Sale of products
Revenue from sale of products is recognized when the significant risk and rewards of ownership have been transferred to the customer, usually on delivery of goods, it is probable that the economic benefit will flow to the establishment, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably.

Provisions for discounts and rate difference are estimated and provided for in the year of sales and recorded as reduction of revenue

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.

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 company 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 long-term loans are certain, accordingly, no expected credit losses are recognized.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2019

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.

5. Property, plant and equipment

	Furniture, fixtures and office equipment *
	USD
Cost / valuation	
Taken over during the year	14,979
As at 31.03.2019	**14,979**
Depreciation	
Impairment	14,979
As at 31.03.2019	**14,979**
Net book value	
As at 31.03.2019	-

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

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2019

6. Intangible asset

	*Contractual rights ** *USD*	*Trademark* *USD*	*Total* *USD*
Cost/valuation			
As at 01.04.2018	-	319,485	319,485
Taken over during the year	291,837,736	-	291,837,736
As at 31.03.2019	**291,837,736**	**319,485**	**292,157,221**
Amortization			
As at 01.04.2018	-	17,681	17,681
Charge for the year	-	301,704	301,704
As at 31.03.2019	-	**319,385**	**319,385**
Net book value			
As at 31.03.2019	**291,837,736**	**100**	**291,837,836**
As at 31.03.2018	**-**	**301,804**	**301,804**

**During the year, the establishment has entered into an agreement with Atlas Global Trading FZC. 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. The establishment has not amortized the intangible assets as they have acquired at the end of the year.

7. Trade receivables

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

Although trade receivables of USD 4,674,137/-, 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 8,160,824/- from trade receivables.

As at 31 March, the aging of trade receivables was as follows:

	Total ***USD***	***0-30 Days*** ***USD***	***31-90 Days*** ***USD***	***91-180 Days*** ***USD***	***180-365 Days*** ***USD***	***365 Days +*** ***USD***
2019	***34,377,335***	*12,640,138*	*8,693,143*	*6,776,392*	*4,118,620*	*2,149,042*
Subsequent Recoveries	***8,160,824***	*358,469*	*3,498,729*	*2,702,020*	*910,678*	*690,928*
Net of recoveries	***26,216,511***	*12,281,669*	*5,194,414*	*4,074,372*	*3,207,942*	*1,458,114*
2018	***34,307,646***	*10,453,902*	*11,486,173*	*6,362,116*	*5,902,354*	*103,101*

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2019

8. Advances, deposits and other receivables

	2019 USD	***2018 USD***
Marketing authorization income receivable – related party	248,135	-
Advances	18,615	55,414
Deposits	2,321	953
Vat receivable	11,352	2,340
Other receivable	15,361	-
Accrued income	8,702	-
	304,486	**58,707**

9. Cash and bank balances

Bank balance in current accounts	3,628,353	7,833,103
Cash and cash equivalents	**3,628,353**	**7,833,103**
Term deposits	550,000	-
	4,178,353	**7,833,103**

10. Share capital

Authorised, issued and paid-up:		
300 shares of AED 150,000 each *(converted @ 3.673)*	**12,251,565**	**12,251,565**

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 26,368,617 *(previous year USD 44,402,008)* payable to related parties on trade account and US $ 1,971,958 *(previous year USD 1,917,440)* 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.

13. Other payables and accruals

	2019 USD	***2018 USD***
Advance from customers	9,575	41,285
Customer credit balance	14,787	-
Accruals	245,462	232,227
	269,824	**273,512**

14. Sales

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

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15. Cost of sales

This represents cost of sales net of rate difference.

16. Other income

	2019 USD	*2018 USD*
Marketing authorization income – related party	248,135	-
Interest income from bank	8,702	-
Interest income – others	39	241
Exchange gain (net)	-	4,175
Miscellaneous income	-	540
	256,876	**4,956**

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 shareholder company, the parent shareholder company, the companies under common ownership and / or common management control and the directors of the establishment as under:

Ultimate parent shareholder company
- Sun Pharmaceutical Industries Ltd., India

Parent shareholder company
- Sun Pharma Holdings, Mauritius

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

Subsidiaries of Ultimate Parent Shareholder Company
- Sun Pharmaceutical Industries Inc – USA
- Terapia S.A – Romania
- Sun Pharma East Africa Ltd – Kenya

Directors
- Mr. Surendra Manishanker Joshi
- Mr. Rajesh K. Shah
- Mr. Vishwanath Vinayak Kenkare (resigned during the year) *
- Mr. Harin Parmanand Mehta (appointed during the year) *

**Legal formalities will be completed before end of financial year 2019-20*

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

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Related party transactions and balances (cont'd)

	Ultimate parent company USD	*Fellow subsidiary USD*	*Subsidiaries of Ultimate Parent Company USD*	*Total 2019 USD*	*Total 2018 USD*
Purchases	70,735,027	-	52,290	70,787,317	55,017,784
Sales	-	-	64,572	64,572	-
Promotion and marketing exp.	495,968	-	-	495,968	777,877
Service charges	-	81,690	-	81,690	20,423
Interest expense	-	203,793	-	203,793	-
Marketing authorization income	248,135	-	-	248,135	-

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

	2019 USD Dr / (Cr)	*2018 USD Dr / (Cr)*
Trade receivables:		
Subsidiaries of Ultimate Parent Company	1,902,975	-
Marketing authorization income receivable		
Ultimate parent company	248,135	-
Long-term loan		
Fellow subsidiary	(304,271,360)	-
Trade payables		
Ultimate parent shareholder company	(26,316,327)	(44,402,008)
Subsidiaries of Ultimate Parent Company	(52,290)	-

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.

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 95% of its revenue from ten customers based overseas. At 31 March 2019, the establishment had significant concentration of credit risk with ten overseas customers accounting for 94% of the trade receivables.

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Notes to the Financial Statements
for the year ended 31 March 2019

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

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 company 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 shareholder 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. Long term loan from a related party is at floating rate of interest.

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:

	2019 Equivalent USD	***2018 Equivalent USD***
Foreign currency financial assets:		
Trade receivables		
Euro (EUR)	3,256,570	4,468,308
Bank balance		
Euro (EUR)	930,539	1,370,957
Foreign currency financial liability:		
Trade payables		
Euro (EUR)	1,377,673	5,810,443

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Notes to the Financial Statements
for the year ended 31 March 2019

20. Financial instruments: Fair values

The fair values of the establishment's financial assets, comprising long-term loan receivable, 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.

21. Contingent liabilities

	2019 USD	2018 USD
Letters of credit	4,133	-

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. Approval of the financial statements

The financial statements were approved by the board of directors on 16 May 2019 and authorized Mr. Harin P. Mehta to sign on behalf of the Board.

Harin P. Mehta
DIRECTOR