

SUN PHARMA DE VENEZUELA,C.A.

FINANCIAL STATEMENTS

2016-17

SUN PHARMA DE VENEZUELA, C.A.
 Comparative Balance Sheet As at 31st March
 (Expressed in Constant Bolivars as at 31/03/2017)

	2017	2016
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Bank Balances	143,299	13,776,253
Prepaid Expenses	19,600	64,252
Total Current Assets	<u>162,899</u>	<u>13,840,505</u>
<u>Property, Plants and Equipments</u>		
Furniture and Equipments	0	2,349,709
Acumulated Depreciation - Furniture and Equipments	0	(986,130)
Vehicle	0	60,785,583
Acumulated Depreciation - Vehicle	0	(12,157,116)
Total Property, Plants and Equipments	<u>0</u>	<u>49,992,047</u>
Total Assets	<u><u>162,899</u></u>	<u><u>63,832,552</u></u>
<u>Liabilities and Capital</u>		
<u>Current Liabilities</u>		
Payable to Suppliers	126,449,484	284,497,364
Others Accounts Payable	6,437	55,814
Total Current Liabilities	<u>126,455,921</u>	<u>284,553,178</u>
<u>Non-Current Liabilities</u>		
Inter Company Accounts Payable	96,436,717	316,134,067
Total Non-Current Liabilities	<u>96,436,717</u>	<u>316,134,067</u>
Total Liabilites	<u><u>222,892,638</u></u>	<u><u>600,687,245</u></u>
<u>Capital and Retained Earnings</u>		
Share Capital	2,596,951	2,596,951
Retained Earnings	(225,326,690)	(539,451,644)
Total Capital and Retained Earnings	<u>(222,729,739)</u>	<u>(536,854,693)</u>
Total Liabilities and Capital	<u><u>162,899</u></u>	<u><u>63,832,552</u></u>

SUN PHARMA DE VENEZUELA, C.A.
Comparative Statement of Income
From 01 April to 31 March
(Expressed in Constant Bolivars as at 31/03/2017)

	2016-2017	2015-2016
<u>Income</u>		
Sales	0	0
Other Income	0	0
Total Income	<u>0</u>	<u>0</u>
<u>Selling, Administrative and General Expenses</u>		
Personnel Expenses	42,546,360	194,901,333
Other General Expenses	37,190,945	188,506,488
Loss on Sales of Fixed Assets	43,852,252	0
Depreciation	832,322	12,744,544
Total Selling, Administrative and General Expenses	<u>124,421,878</u>	<u>396,152,365</u>
Income (Loss) in Operation	(124,421,878)	(396,152,365)
Profit (Loss) for the Year	(124,421,878)	(396,152,365)
<u>Comprehensive Financing Expenses</u>		
Monetary Gain (Loss) (REME)	438,546,833	897,122,820
Total Comprehensive Financing Income (Expenses)	<u>438,546,833</u>	<u>897,122,820</u>
Profit (Loss) for the Year before Income-tax	314,124,955	500,970,455
Income-tax	0	0
Income (Loss) for the Year	<u><u>314,124,955</u></u>	<u><u>500,970,455</u></u>

SUN PHARMA DE VENEZUELA, C.A.
 Comparative Statment of Changes in Shareholders' Fund
 From April 01 to March 31
 (Expressed in Constant Bolivars at 31/03/2017)

	2016-2017	2015-2016
Capital		
Share Capital	2,596,951	2,596,951
Increase in Capital	0	0
Total Share Capital	<u>2,596,951</u>	<u>2,596,951</u>
Reserves & Surplus		
Retained Earnings	(539,451,644)	(1,040,422,099)
Profit (Loss) for the Year	314,124,955	500,970,455
Income Tax	0	0
Legal Reserve	0	0
Total	<u>(225,326,690)</u>	<u>(539,451,644)</u>
Legal Reserve		
Legal Reserve for the Period	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>
Total Reserves & Surplus	<u>(225,326,690)</u>	<u>(539,451,644)</u>
Total Shareholders' Fund	<u>(222,729,739)</u>	<u>(536,854,693)</u>

SUN PHARMA DE VENEZUELA, C.A.
Cash Flow Statement for the Year Ended March 31
(Expressed in Constant Bolivars as at 31/03/2017)

	2016-17	2015-16
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (Loss) Before Tax	314,124,955	500,970,455
Adjustment for:		
Depreciation Expenses	832,322	12,744,544
Loss on Sales of Fixed Assets	43,852,252	0
	44,684,574	12,744,544
Operating Profit Before Working Capital Changes	358,809,529	513,714,999
Changes in Working Capital:		
Increase / (Decrease) in Payable to Suppliers	(158,047,880)	(7,804,008)
Increase / (Decrease) in Other Current Liabilities	(49,377)	55,810
Increase / (Decrease) in Inter Company Accounts Payable	(219,697,350)	(677,418,853)
(Increase) / Decrease in IVA Fiscal Credit	0	18,559,045
(Increase) / Decrease Prepaid Expenses	44,652	6,886,755
	(377,749,955)	(659,721,251)
Net Cash Flow from Operating Activities	(18,940,426)	(146,006,251)
Income Tax Paid	0	0
Net Cash Flow from Operating Activities	(18,940,426)	(146,006,251)
CASH FLOW FROM FINANCING ACTIVITIES	0	0
Net Cash Flow from Financing Activities	0	0
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed from Sales of Fixed Assets	5,307,473	0
Net Cash Flow Generated from Investing Activities	5,307,473	0
NET INCREASE (DECREAS) IN CASH AND EQUIVALENTS	(13,632,953)	(146,006,251)
CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR	13,776,253	159,782,504
CASH AND EQUIVALENTS AT END OF THE YEAR	143,299	13,776,253
DETAILS OF REME		
In Operational Activities	448,120,640	1,006,064,860
In Investment Activities	0	0
In Financing Activities	0	0
In Opening Balances of Cash and Equivalents	(9,573,806)	(108,942,039)

SUN PHARMA DE VENEZUELA, C.A.
Notes to the financial statements
As at March 31, 2017 and 2016
(Expressed in constant bolivars as at March 31, 2017)

(1) Company Activities

Business Description: SUN PHARMA DE VENEZUELA, CA, is a company incorporated on September 20, 2010, according Notary the 2nd of Autonomous Municipality of Chacao of Caracas Metropolitan District and filed with the Registry, under No. 29, Volume 2-A in the province Seventh District Capital, its principal object is to carry out all types of activities related to the pharmaceutical industry, including: (i) import, representation, marketing, sales and distribution, pharmaceutical products, (ii) manufacture pharmaceutical products; and (iii) any other lawful activity of trade that the Company deems necessary to achieve its social objective.

(2) Basis of Preparation

The financial statements of the Company have been prepared in accordance with Accounting Principles generally accepted in Venezuela (VEN NIF SMEs).

Measurement Base

The Company uses the Current Cost Method laid down in section 31 of the IFRS for SMEs for presentation of its Restated Financial Statements for the effects of Inflation to update the Financial Statements based on changes in the National Consumer Price Index (NCPI) published by the Central Bank of Venezuela (BCV).

Since the BCV have published last NCPI for December 2015 and subsequent to that the publication is yet to be done, NCPI for January 2016 to March 2017 are calculated according to the procedure mentioned in BA VEN NIF 2, Paragraph No. 18, based on the procedure for determining the estimated NCPI and the calculus of variations, starting from the last index published by the Central Bank of Venezuela which are as follows:

	<u>Accumulated</u>
	<u>NCPI</u>
NCPI As at March 31, 2016	3.143,45
NCPI As at March 31, 2017	10.304,70
Average NCPI for the year 2016-2017	6.334,95

Non-monetary assets as property, furniture and equipments are presented at their acquisition cost as updated in bolivars of purchasing power as of March 31, 2017 using the NCPI the basis for calculating the dates of acquisition of such assets. Depreciation of property, furniture and equipment is calculated on the adjusted cost of the NCPI, using the straight-line method based on estimated useful lives.

The Share Capital, Legal Reserve and Retained Earnings are updated using the coefficient derived from the NCPI, from the date of contribution or generation.

Revenues, Costs and Expenses associated with monetary items were restated to present their purchasing power as of March 31, 2017, based on the NCPI existing at the date of its recognition as earned or caused; costs and expenses associated with nonmonetary items were restated in bolivars of purchasing power of March 31, 2017, depending on the consumption, sale and depreciation of such consignments.

The monetary result of the exercise is the difference between the net monetary position at the date of the financial statements and the estimated net monetary position, which is determined by adjusting the monetary position at the beginning of the year, the change in the CPI during the period; more or less net movement in the items affecting, up-to-date financial statements based on the NCPI by the positions corresponding period.

The financial statements for 2015-16 have been restated to bolivars as of March 31, 2017, using the NCPI coefficient, so that the comparison is in terms of a currency unit of homogeneous purchasing power.

Functional and Presentation currency

The Company has determined that the Bolivar (Bs.) represents its functional currency, in accordance with the provisions of section 30 of IFRS for SMEs, Accounting International Standard section 31 of the IFRS for SMEs "*Effects of shifts in exchange rates of foreign currency*". To determine its functional currency, it was considered that the main economic environments of the Company's operations are conducted in the domestic market. Therefore, the transactions in other currencies than the bolivar are considered "foreign currency".

According to the provisions of the Decree with Rank, Value and Force of Law on Currency Conversion, which was published on March 6, 2007, in Official Gazette No. 38.638, as of 1 January 2008, the unit monetary system of the Bolivarian Republic of Venezuela is expressed in Bolivars (Bs.). The financial statements as of March 31, 2016 and 2017 are presented in Bolivars.

Estimates and Judgments use

The preparation of Financial Statements in conformity with generally accepted Accounting Principles in Venezuela (VEN-NIF SMEs), requires that the Company management made a number of judgments, estimates and assumptions that affect the application of accounting policies in relation with the amounts presented of assets, liabilities, income and expenses informed during the correspondent period. The estimates and associated assumptions are based on historical experience and other factors that are considered reasonable under the current circumstances; the result is the basis for forming judgments about the carrying value of assets and liabilities that are not readily determinable by other sources. The most significant items subject to such estimates and assumptions include the fair value of property furniture and equipment, deferred costs, deferred income tax. The final results may differ from such estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. The review of the accounting estimates are recognized in profits and losses for the year of revision if the revision affects only that year, or profit or loss of the year of the revision and future periods, if the revision affects the current period and future years.

(3) Significant Accounting Policies

Significant Accounting Policies and Principles have been consistently applied in the preparation of financial statements, wherever applicable, and are presented below:

Current and noncurrent balances classification

The balances presented in the accompanying balance attachments are classified according to their maturity, i.e. as current or those with a maturity equal or lower than twelve months, and as non-current exceeding the maturity that period.

Cash and cash equivalents

For purposes of the state of cash flow, the Company considers all highly liquid investments acquired in securities with a maturity of three months or less, are cash equivalents.

Financial assets at fair value with through profits

This category is classified as financial assets held for trading and financial assets at fair value through profit by voluntary incorporation of the date of designation. A financial asset is classified in this category when purchased with the purpose of selling in the short term or if so designated by Management when is purchased. The gain or loss unrealized on the valuation of these assets is included in the income statement.

Property, furniture and equipments

Recognition and Measurement

The property, furniture and equipment are stated at acquisition cost, expressed in bolivars of purchasing power as of March 31, 2017, determined by the NCPI, which doesn't exceed the recoverable value through future operations of the Company.

Depreciation

Yearly depreciation is recognized in profit or loss using the straight-line method, based on the inflation updated cost and according to the useful lives estimated by management. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

Income tax

The income tax of the year consists of current and deferred tax. The current income tax is the expected tax payable calculated on the taxable income for the year using tax rates in effect at the balance sheet date as well as any adjustment to tax payable for previous years.

Income tax expenses comprise the sum of current income tax and deferred income tax.

Share Capital

Common Shares are classified as Equity Share. As of March 31 2017 and 2016, the Company has no preferred shares.

Deterioration

Financial assets

It is considered that a financial asset presents impairment when there is objective evidence of the occurrence of an event with negative effects on cash estimated future cash flows of that asset.

Non-Financial Assets

The carrying value of non-financial assets of the Company, such as Property plant and equipment are reviewed at each balance sheet date to determine any indication of impairment. When an event or change in circumstances indicates that the carrying value of such assets is impaired, the recoverable amount is estimated.

Revenue Recognition, Costs and Expenses

Revenue comprises the net fair or market of products sold, value of sales taxes, returns and discounts. Revenues from product sales and other income are recognized as follows:

Revenues from product sales are recognized when they are delivered and accepted by the customer, and the risk and ownership of the products have been transferred to the buyer.

Income and expense by interest are recognized on proportional basis of time and using the effective interest method.

Costs of contracts by services concluded with clients are recognized over the term thereof. Advance receipts of billing revenue unrealized are recognized as deferred credits in current liabilities in the balance sheet. Costs and expenses are recognized in income as they are incurred. Revenues and direct

Commitments and Contingencies

Obligations or losses associated with contingencies originating in claims, lawsuits, fines or penalties generally recognized as a liability in the balance sheet when there is some or legal obligation resulting from past events, it is likely that a payment will be required to settle the obligation and the amount can be reasonably estimated. Otherwise, it is disclosed in the notes to the financial statements qualitative details of the situation that causes the contingency. Relevant commitments are disclosed in the notes to the financial statements. No Earnings or Assets are recognized.

State Cash Movement

The state of motion of cash presents the change in cash of constant purchasing power, based on the financial situation at the beginning of the year, updated in terms of bolivars of purchasing power as of March 31, 2017.

Taxes:

Income tax

The provision for income tax comprises the sum of current income tax payable and estimated tax deferred income when it is significant.

Shareholder's Fund

a. Share Capital

As of March 31, 2017, the nominal Share Capital of the Company and the evolution of update inflation accounting of the same are composed as follows.

PERIOD	SUBSCRIBED AND PAID CAPITAL	ADJUSTMENT FACTOR	UPDATING OF CAPITAL
Sep-10	50000	53.939	2,596,951
	<u>50,000</u>		<u>2,596,951</u>

b. Legal Reserve

The Company by laws provide for the creation of a Legal Reserve, calculated on the basis of 5% of Net Profits till the time form a minimum of 10% of the Share Capital. This Reserve will not be available for distribution to the Shareholders as Dividends during the existence of the Company.

Previous Year's figures have been regrouped / recasted wherever necessary to make them comparable with the current years figures.

For purposes of analysis of Financial Statements, the Company presents, as supplementary information, Financial Statements prepared on the Historical Cost basis, (Annex 1, 2.3 and 4), which is used as the basis for preparation of primary financial statements expressed in constant bolivars.

Demonstrative Monetary Income Statement

Year ended March 31, 2017 and 2016

	2016-17		2015-16	
	Historical	Restated	Historical	Restated
Passive monetary position at the beginning of the year	(179,017,635)	(586,846,740)	(106.823.259)	(1,100,561,739)
Increases -				
Sales of Fixed Assets	5,307,473	5,307,473	0	0
	<u>5,307,473</u>	<u>5,307,473</u>	<u>0</u>	<u>0</u>
Decreases -				
Personal expenses	26,155,945	42,546,360	36.699.252	194,901,333
Other General Expenses	22,863,632	37,190,945	35.495.124	188,506,188
	<u>49,019,577</u>	<u>79,737,306</u>	<u>72.194.376</u>	<u>383,407,821</u>
Estimated Final monetary position	(222,729,739)	(661,276,573)	(179.017.635)	(1,483,969,560)
Final monetary position recorded	<u>(222,729,739)</u>	<u>(222,729,740)</u>	<u>(179.017.635)</u>	<u>(586,846,740)</u>
monetary result Efect (REME)		<u><u>(438,546,833)</u></u>		<u><u>(897,122,820)</u></u>

SUN PHARMA DE VENEZUELA, C.A.
 Comparative Balance Sheet As at 31st March
 (Expressed in Historical Bolivars as at 31/03/2017)

	2017	2016
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Bank Balances	143,299	4,202,447
Prepaid Expenses	19,600	19,600
Total Current Assets	<u>162,899</u>	<u>4,222,047</u>
<u>Property, Plants and Equipments</u>		
Furniture and Equipments	0	160,114
Acumulated Depreciation - Furniture and Equipments	0	(61,014)
Vehicle	0	5,900,000
Acumulated Depreciation - Vehicle	0	(1,180,000)
Total Property, Plants and Equipments	<u>0</u>	<u>4,819,100</u>
Total Assets	<u>162,899</u>	<u>9,041,147</u>
<u>Liabilities and Capital</u>		
<u>Current Liabilities</u>		
Payable to Suppliers	126,449,484	86,785,939
Others Accounts Payable	6,437	17,026
Total Current Liabilities	<u>126,455,921</u>	<u>86,802,965</u>
<u>Non-Current Liabilities</u>		
Inter Company Accounts Payable	96,436,717	96,436,717
Total Non-Current Liabilities	<u>96,436,717</u>	<u>96,436,717</u>
Total Liabilites	<u>222,892,638</u>	<u>183,239,682</u>
<u>Capital and Retained Earnings</u>		
Share Capital	50,000	50,000
Retained Earnings	(222,779,739)	(174,248,535)
Total Capital and Retained Earnings	<u>(222,729,739)</u>	<u>(174,198,535)</u>
Total Liabilities and Capital	<u>162,899</u>	<u>9,041,147</u>

SUN PHARMA DE VENEZUELA, C.A.
Comparative Statement of Income
From 01 April to 31 March
(Expressed in Historical Bolivars as at 31/03/2017)

	2016-2017	2015-2016
<u>Income</u>		
Sales	0	0
Other Income	1,000,054	0
Total Income	<u>1,000,054</u>	<u>0</u>
<u>Selling, Administrative and General Expenses</u>		
Personnel Expenses	26,155,945	36,699,252
Other General Expenses	22,863,632	35,495,124
Depreciation	511,681	1,220,028
Total Selling, Administrative and General Expenses	<u>49,531,258</u>	<u>73,414,404</u>
Profit (Loss) for the Year before Income-tax	(48,531,204)	(73,414,404)
Income-tax	0	0
Income (Loss) for the Year	<u><u>(48,531,204)</u></u>	<u><u>(73,414,404)</u></u>

SUN PHARMA DE VENEZUELA, C.A.

Comparative Statment of Changes in Shareholders' Fund

From April 01 to March 31

(Expressed in Historical Bolivars at 31/03/2017)

	2016-2017	2015-2016
Capital		
Share Capital	50,000	50,000
Increase in Capital	<u>0</u>	<u>0</u>
Total Share Capital	<u>50,000</u>	<u>50,000</u>
Reserves & Surplus		
Retained Earnings	(174,248,535)	(100,834,131)
Profit (Loss) for the Year	(48,531,204)	(73,414,404)
Income Tax	0	0
Legal Reserve	<u>0</u>	<u>0</u>
Total	<u>(222,779,739)</u>	<u>(174,248,535)</u>
Legal Reserve		
Legal Reserve for the Period	<u>0</u>	<u>0</u>
Total	<u>0</u>	<u>0</u>
Total Reserves & Surplus	<u>(222,779,739)</u>	<u>(174,248,535)</u>
Total Shareholders' Fund	<u>(222,729,739)</u>	<u>(174,198,535)</u>

SUN PHARMA DE VENEZUELA, C.A.
Comparative Cash Flow Statement for the Year Ended March 31
(Expressed in Historical Bolivars as at 31/03/2017)

	2016-17	2015-16
CASH FLOW FROM OPERATING ACTIVITIES		
Profit (Loss) Before Tax	(48,531,204)	(73,414,404)
Adjustment for:		
Depreciation Expenses	511,681	1,220,028
Profit on Sales of Fixed Assets	<u>(1,000,054)</u>	<u>0</u>
Operating Profit Before Working Capital Changes	<u>(49,019,577)</u>	<u>(72,194,376)</u>
Changes in Working Capital:		
Increase / (Decrease) in Payable to Suppliers	39,663,545	58,414,441
Increase / (Decrease) in Other Current Liabilities	(10,589)	17,026
(Increase) / Decrease in IVA Fiscal Credit	0	1,801,387
(Increase) / Decrease Prepaid Expenses	<u>0</u>	<u>655,082</u>
Net Cash Flow from Operating Activities	<u>(9,366,621)</u>	<u>(11,306,440)</u>
Income Tax Paid	0	0
Net Cash Flow from Operating Activities	<u>(9,366,621)</u>	<u>(11,306,440)</u>
CASH FLOW FROM FINANCING ACTIVITIES	0	0
Net Cash Flow from Financing Activities	<u>0</u>	<u>0</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceed from Sales of Fixed Assets	5,307,473	0
Net Cash Flow Generated from Investing Activities	<u>5,307,473</u>	<u>0</u>
NET INCREASE (DECREASES) IN CASH AND EQUIVALENTS	(4,059,148)	(11,306,440)
CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR	4,202,447	15,508,887
CASH AND EQUIVALENTS AT END OF THE YEAR	<u>143,299</u>	<u>4,202,447</u>