

**SUN PHARMA EAST AFRICA LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2017**

**PATEL SHAH JOSHI & ASSOCIATES**

**CERTIFIED PUBLIC ACCOUNTANTS**

# **SUN PHARMA EAST AFRICA LIMITED**

## **REPORT AND FINANCIAL STATEMENTS - 31 MARCH 2017**

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# SUN PHARMA EAST AFRICA LIMITED

## DIRECTORS AND OTHER PARTICULARS - 31 MARCH 2017

DIRECTORS	Thomas Kurusinkal Antony Rajesh Kushalchand Shah
REGISTERED OFFICE	Plot No. L R 209/13257/1 3rd Floor, Centre Point Parklands Road P O Box 41684 - 00100 NAIROBI
PRINCIPAL PLACE OF BUSINESS	Plot No. L R 209/20162 M02, Mezzanine Floor, Park Place 2nd Avenue Parklands P O Box 66180 - 00800 NAIROBI
SECRETARY	Richard Maina Kamami Certified Public Secretary (Kenya) P O Box 4475 - 00200 NAIROBI
INDEPENDENT AUDITORS	Patel Shah Joshi & Associates Certified Public Accountants P O Box 41684 - 00100 NAIROBI
BANKER	Diamond Trust Bank Cross Road Branch P O Box 28575 - 00100 NAIROBI

# **SUN PHARMA EAST AFRICA LIMITED**

## **REPORT OF THE DIRECTORS**

The directors have pleasure in presenting their report together with the audited financial statements of the company for the year ended 31 March 2017.

## **PRINCIPAL ACTIVITY**

The main activity of the company is distributing pharmaceutical products, medical devices and biotechnology products.

## **RESULTS**

The loss for the year amounting to K Sh 26,991,331 (2016: 53,143,081) has been adjusted to the revenue reserves.

## **DIVIDEND**

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

## **DIRECTORS**

All present directors continue in office in the ensuing year.

## **INDEPENDENT AUDITORS**

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

## **ON BEHALF OF THE BOARD**

\_\_\_\_\_  
**DIRECTOR**  
**NAIROBI**

**Date:** \_\_\_\_\_

## **SUN PHARMA EAST AFRICA LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2017**

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company. It also requires the directors to ensure that the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of these financial statements, as well as adequate systems on internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

\_\_\_\_\_

**Director**

\_\_\_\_\_

**Director**

**Date:** \_\_\_\_\_

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

## **Opinion**

We have audited the accompanying financial statements of Sun Pharma East Africa Limited set out on pages 6 to 17. These financial statements comprise the statement of financial position as at 31 March 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at **31 March 2017** and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act, 2015.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Directors' responsibility for the financial statements**

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibility for the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

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

### **Auditor's responsibility for the financial statements (continued)**

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude, on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on other legal requirements**

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

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

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

**Patel Shah Joshi & Associates**  
**Certified Public Accountants**

**Nairobi**

.....**2017**

## SUN PHARMA EAST AFRICA LIMITED

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 K Sh	2016 K Sh
Turnover		599,972,965	192,309,453
Cost of sales		(465,756,717)	(183,120,592)
<b>Gross profit</b>		<b>134,216,248</b>	<b>9,188,861</b>
Interest Income		47,049	-
Net foreign exchange fluctuations		(13,142,976)	(1,813,597)
Administration costs		(67,414,425)	(36,362,769)
Marketing expenses		(88,310,755)	(43,551,071)
Other operating costs		(1,339,497)	(759,585)
<b>Operating loss</b>	<b>2</b>	<b>(35,944,356)</b>	<b>(73,298,162)</b>
Finance cost	<b>3</b>	(1,828,877)	(1,226,290)
<b>Loss before tax</b>		<b>(37,773,233)</b>	<b>(74,524,452)</b>
Tax	<b>4</b>	10,781,901	21,381,371
<b>Net loss after tax</b>		<b>(26,991,331)</b>	<b>(53,143,081)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year transferred to statement of changes in equity</b>		<b>(26,991,331)</b>	<b>(53,143,081)</b>

Independent auditors' report - page 4 & 5

The accounting policies and notes on pages 10 to 17 form an integral part of these financial statements.



# SUN PHARMA EAST AFRICA LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

ASSETS	Notes	2017 K Sh	2016 K Sh
<b>Non-current assets</b>			
Furniture, equipment & vehicles	5	4,057,723	2,292,095
Intangible assets	6	190,249	253,666
Deferred tax asset	7	32,580,278	21,784,262
		-----	-----
		36,828,250	24,330,023
		-----	-----
<b>Current assets</b>			
Inventories	8	380,029,444	147,976,168
Trade and other receivables	9	221,142,495	129,269,248
Cash and cash equivalents	10	22,322,859	6,497,182
		-----	-----
		623,494,798	283,742,598
		-----	-----
<b>Total assets</b>		<b>660,323,048</b>	<b>308,072,621</b>
		=====	=====
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	100,000	100,000
Revenue deficit		(81,109,490)	(54,118,159)
		-----	-----
		(81,009,490)	(54,018,159)
		-----	-----
<b>Non-current liabilities</b>			
Borrowings	12	47,345,167	44,799,867
		-----	-----
<b>Current liabilities</b>			
Trade and other payables	13	693,980,548	317,290,913
Tax payable		6,823	-
		-----	-----
		693,987,371	317,290,913
		-----	-----
<b>Total equity and liabilities</b>		<b>660,323,048</b>	<b>308,072,621</b>
		=====	=====

Independent auditors' report - page 4 & 5

The accounting policies and notes on pages 10 to 17 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on .....2017 and signed on its behalf by:-

\_\_\_\_\_  
DIRECTOR

\_\_\_\_\_  
DIRECTOR

## SUN PHARMA EAST AFRICA LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Share capital K Sh	Revenue reserve K Sh	Total K Sh
<b>Balance as at 1 April 2015</b>	100,000	(975,078)	(875,078)
Total comprehensive loss for the year	-	(53,143,081)	(53,143,081)
	-----	-----	-----
<b>Balance as at 31 March 2016</b>	<b>100,000</b>	<b>(54,118,159)</b>	<b>(54,018,159)</b>
Total comprehensive loss for the year	-	(26,991,331)	(26,991,331)
	-----	-----	-----
<b>Balance as at 31 March 2017</b>	<b>100,000</b>	<b>(81,109,490)</b>	<b>(81,009,490)</b>
	=====	=====	=====

Independent auditors' report - page 4 & 5

The accounting policies and notes on pages 10 to 17 form an integral part of these financial statements.

## SUN PHARMA EAST AFRICA LIMITED

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 K Sh	2016 K Sh
<b>Operating activities</b>			
Cash generated from / (used in) operations	14	3,249,818	(35,873,333)
Tax paid		(7,292)	-
		-----	-----
Net cash generated from / (used in) operating activities		3,242,526	(35,873,333)
		-----	-----
<b>Investing activities</b>			
Purchase of motor vehicles and equipment	5	(3,105,125)	(3,051,680)
Purchase of software	6	-	(317,083)
		-----	-----
Net cash used in investing activities		(3,105,125)	(3,368,763)
		-----	-----
<b>Financing activities</b>			
Proceeds from loan	12	2,545,300	35,009,567
		-----	-----
Net cash generated from financing activities		2,545,300	35,009,567
		-----	-----
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>2,682,700</b>	<b>(4,232,529)</b>
		=====	=====
<b>Movement in cash and cash equivalents</b>			
At the start of the year		6,497,182	8,916,114
Increase / (decrease) during the year		2,682,700	(4,232,529)
Effect of exchange rate fluctuations		13,142,976	1,813,597
		-----	-----
At the end of the year	10	<b>22,322,859</b>	<b>6,497,182</b>
		=====	=====

Independent auditors' report - page 4 & 5

The accounting policies and notes on pages 10 to 17 form an integral part of these financial statements.

# SUN PHARMA EAST AFRICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Accounting convention

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

#### b) Depreciation

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

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

#### c) Intangible assets

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

#### d) Inventories

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

#### e) Trade and other receivables

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

#### f) Cash and cash equivalents

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

#### g) Borrowings

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

#### h) Trade and other payables

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

# SUN PHARMA EAST AFRICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### i) Foreign exchange fluctuations

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

#### j) Taxation

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

#### k) Deferred tax

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

#### l) Revenue recognition

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

All other income is recognised on receipt basis.

#### m) Comparative figures

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

# SUN PHARMA EAST AFRICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	2017 K Sh	2016 K Sh
<b>2. OPERATING LOSS</b>		
<b>is stated after charging:</b>		
Amortisation of intangible assets	63,417	63,417
Auditors' remuneration	250,000	250,000
Depreciation	1,339,497	759,585
Directors' remuneration	9,335,883	6,990,753
Staff cost - Note 16	69,008,714	50,838,562
	=====	=====
<b>3. FINANCE COST</b>		
Interest on loan	1,828,877	1,226,290
Foreign exchange fluctuations	716,423	681,599
	-----	-----
	2,545,300	1,907,889
	=====	=====
<b>4. TAX</b>		
This comprises:		
Current tax	14,115	-
Deferred tax credit - Note 7	(10,796,016)	(21,381,371)
	-----	-----
Tax credit	(10,781,901)	(21,381,371)
	=====	=====
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Loss before tax	(37,773,233)	(74,524,452)
	-----	-----
Tax calculated at the rate of 30%	(11,331,970)	(22,357,336)
Tax effects of :-		
Expenses not deductible for tax purposes	548,663	974,089
Permanent difference on Motor Vehicles	1,406	1,876
	-----	-----
Tax credit	(10,781,901)	(21,381,371)
	=====	=====

## SUN PHARMA EAST AFRICA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

#### 5. FURNITURE ,EQUIPMENT AND VEHICLES

	Furniture & Equipments K Sh	Office Equipment K Sh	Motor Vehicles K Sh	Total K Sh
<b>COST</b>				
As at 01 April 2016	-	26,680	3,025,000	3,051,680
Additions during the year	55,125	-	3,050,000	3,105,125
	-----	-----	-----	-----
As at 31 March 2017	55,125	26,680	6,075,000	6,156,805
	-----	-----	-----	-----
<b>DEPRECIATION</b>				
As at 01 April 2016	-	3,335	756,250	759,585
Charge for the year	6,891	2,918	1,329,688	1,339,497
	-----	-----	-----	-----
As at 31 March 2017	6,891	6,253	2,085,938	2,099,082
	-----	-----	-----	-----
<b>CARRYING VALUES</b>				
As at 31 March 2017	48,234	20,427	3,989,062	4,057,723
	=====	=====	=====	=====
As at 31 March 2016	-	23,345	2,268,750	2,292,095
	=====	=====	=====	=====

	2017 K Sh	2016 K Sh
<b>6. INTANGIBLE ASSETS</b>		
At start of year	317,083	-
Additions during the year	-	317,083
	-----	-----
At end of year	317,083	317,083
	-----	-----
<b>Amortisation</b>		
At start of year	63,417	-
Charge for the year	63,417	63,417
	-----	-----
At end of year	126,834	63,417
	-----	-----
<b>CARRYING VALUE</b>		
As at 31 March	190,249	253,666
	=====	=====

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

## SUN PHARMA EAST AFRICA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	2017 K Sh	2016 K Sh	
<b>7. DEFERRED TAX</b>			
Deferred taxes are calculated, in full, on all temporary differences under the liability method using an enacted tax rate of 30%. The movement of deferred tax account is as follows:			
At start of year	(21,784,262)	(402,891)	
Credit to profit or loss	(10,796,016)	(21,381,371)	
	-----	-----	
At end of year	(32,580,278)	(21,784,262)	
	-----	-----	
Deferred tax asset and deferred tax credit in the statement of profit or loss is attributable to the following items:			
	<b>01-Apr-16</b>	<b>Credit to</b>	<b>31-Mar-17</b>
	<b>K Sh</b>	<b>P / L</b>	<b>K Sh</b>
<b>Deferred tax asset</b>		<b>K Sh</b>	
Tax losses carried forward	(20,972,404)	(7,764,255)	(28,736,659)
Unrealised exchange differences	(811,858)	(3,031,761)	(3,843,619)
	-----	-----	-----
<b>Net deferred tax asset</b>	(21,784,262)	(10,796,016)	(32,580,278)
	=====	=====	=====
<b>8. INVENTORIES</b>			
Stock-in-trade		365,612,444	147,976,168
Merchandise-in- transit		14,417,001	-
		-----	-----
		380,029,444	147,976,168
		=====	=====
<b>9. TRADE AND OTHER RECEIVABLES</b>			
Trade receivables		213,936,799	128,374,858
Prepayments		988,282	877,724
Other receivables		6,217,413	16,665
		-----	-----
		221,142,495	129,269,248
		=====	=====
<b>10. CASH AND CASH EQUIVALENTS</b>			
Cash in hand		43,542	6,407
Balances at bank		22,279,317	6,490,775
		-----	-----
		22,322,859	6,497,182
		=====	=====

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



## SUN PHARMA EAST AFRICA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	2017 K Sh	2016 K Sh
<b>11. SHARE CAPITAL</b>		
<b>Authorized, issued &amp; fully paid-up:</b>		
1,000 Ordinary Shares of K Sh 100 each	100,000	100,000
	=====	=====
<b>12. BORROWINGS</b>		
<b>Non - current</b>		
Loan from related party - Note 15	47,345,167	44,799,867
	=====	=====
<p>The loan from related party (Sun Pharma Global FZE) carries interest at 4% per annum on outstanding principal amount from 1st April 2015. The loan is unsecured and has no fixed repayment schedule.</p>		
<b>13. TRADE AND OTHER PAYABLES</b>		
Trade payables	224,882	-
Provisions and accruals	10,152,242	10,065,117
Balance due to director	-	328,000
Balance due to related party- Note 15	683,603,424	306,897,796
	-----	-----
	693,980,548	317,290,913
	=====	=====
<b>14. CASH GENERATED FROM / (USED IN) OPERATIONS</b>		
Reconciliation of loss before tax to cash generated from / (used in) operations:		
Loss before tax	(37,773,233)	(74,524,452)
<b>Adjustments for:</b>		
Amortisation of intangible asset	63,417	63,417
Depreciation	1,339,497	759,585
Effect of exchange rate fluctuations	(13,142,976)	(1,813,597)
<b>Changes in working capital:</b>		
Increase in inventories	(232,053,276)	(147,976,168)
Increase in receivables	(91,873,247)	(129,048,831)
Increase in payables	376,689,636	316,666,713
	-----	-----
Cash generated from / (used in) operations	3,249,818	(35,873,333)
	=====	=====

## SUN PHARMA EAST AFRICA LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

	<b>2017</b>	<b>2016</b>
<b>15. RELATED PARTY TRANSACTIONS</b>	<b>K Sh</b>	<b>K Sh</b>
<p>The following arm's length transactions were carried out with parties which are related through common shareholding and / or common directorships.</p>		
Purchases of goods	646,320,898	306,897,796
	=====	=====
<p><b>The following amounts are due from or due to related parties:</b></p>		
<p><b>Payables to related party - Note 13</b></p>		
Sun Pharmaceuticals Industries Ltd	683,603,424	306,897,796
	=====	=====
<p><b>Borrowing from related party - Note 12</b></p>		
Sun Pharma Global FZE	47,345,167	44,799,867
	=====	=====
<p><b>16. STAFF COST</b></p>		
Directors' remuneration	9,335,883	6,990,753
	-----	-----
Salaries and wages- Administrative	35,902,994	21,181,767
Salaries and wages- Marketing	30,337,925	27,744,244
Staff welfare	2,767,796	1,912,551
	-----	-----
	69,008,714	50,838,562
	=====	=====

The average number of staff in employment during the year was 51 (2016:38).

### 17. INCORPORATION AND DOMICILE

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

### 18. CURRENCY

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

# SUN PHARMA EAST AFRICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

### 19. FINANCIAL RISK MANAGEMENT POLICIES

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

#### a) Capital risk

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

#### b) Credit risk

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

#### c) Interest rate risk

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

#### d) Liquidity risk

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

#### e) Market risk

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

**SUN PHARMA EAST AFRICA LIMITED**

Annex I

**DETAILED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>2017</b> <b>K Sh</b>	<b>2016</b> <b>K Sh</b>
Turnover	599,972,965 -----	192,309,453 -----
<b>Less: Cost of sales</b>		
Opening stock	147,976,168	-
Purchases	697,809,993	331,096,760
Closing stock	(380,029,444)	(147,976,168)
Cost of sales	465,756,717 -----	183,120,592 -----
<b>Gross profit</b>	<b>134,216,248</b>	<b>9,188,861</b>
Foreign exchange fluctuations	(13,142,976)	(1,813,597)
Interest income	47,049	-
	----- 121,120,321 -----	----- 7,375,263 -----
<b>Less: Expenses</b>		
Administration	67,414,425	36,362,769
Marketing	88,310,755	43,551,071
Finance	1,828,877	1,226,290
Depreciation	1,339,497	759,585
	----- 158,893,553 -----	----- 81,899,715 -----
<b>Loss before tax</b>	<b>(37,773,233)</b> =====	<b>(74,524,452)</b> =====

**SCHEDULE OF EXPENSES  
FOR THE YEAR ENDED 31 MARCH 2017**

	<b>2017</b>	<b>2016</b>
	<b>K Sh</b>	<b>K Sh</b>
<b>ADMINISTRATION</b>		
Accountancy fees	1,701,400	448,600
Amortisation charge	63,417	63,417
Audit fees	250,000	250,000
Bank charges	589,183	192,014
Computer expenses	350,365	174,200
Directors' remuneration	9,335,883	6,990,753
Donations	-	84,673
Immigration & work permit expenses	1,459,469	610,000
Insurance	468,111	-
License	39,500	9,875
Miscellaneous expenses	93,978	186,540
Motor vehicles running expenses	176,740	228,716
Postage, telephone and internet	1,583,243	636,429
Printing & stationery	467,292	176,578
Professional fees	4,942,110	50,000
Rent expenses	5,330,843	2,949,547
Salaries and wages	35,902,994	21,181,767
Staff welfare	2,767,796	1,912,551
Subscription	12,500	2,500
Travelling expenses	1,879,601	214,610
	-----	-----
	67,414,425	36,362,769
	=====	=====
<b>MARKETING</b>		
Marketing expenses	30,337,925	27,744,244
Salaries and wages	29,724,017	14,935,873
Travelling expenses	28,248,813	870,954
	-----	-----
	88,310,755	43,551,071
	=====	=====
<b>FINANCE COST</b>		
Interest on loan	1,828,877	1,226,290
	=====	=====
<b>DEPRECIATION</b>		
Motor vehicles	1,329,688	756,250
Office equipment	2,918	3,335
Furniture, fittings & equipments	6,891	-
	-----	-----
	1,339,497	759,585
	=====	=====