

**SUN PHARMACEUTICAL PERU
S.A.C.**

**REPORT ON
FINANCIAL STATEMENTS REVIEW
AS ON DECEMBER 31, 2015**

SUN PHARMACEUTICAL PERU S.A.C.

FINANCIAL STATEMENTS AS ON DECEMBER 31, 2015

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REPORT OF INDEPENDENT AUDITORS

April 28, 2016

To the Shareholders and Directors

SUN PHAMACEUTICAL PERU S.A.C.

We have audited the attached Balance Sheet of SUN PHARMACEUTICAL PERU S.A. as on December 31 with the related Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended; the arrangement of such Financial Statements are the Company's Management responsibility. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Our audit was made in accordance with generally accepted Auditing Standards in Peru. Those standards require that we plan and perform our work in order to obtain reasonable guarantee that the Financial Statements are free of material misstatement. An audit includes an assessment based on selective evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles applied, and the significant estimates made by the Management; as well as evaluating an overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached Financial Statements present fairly, in all material respects, the financial position of the company SUN PHARMACEUTICAL S.A.C. as on December 31, 2015, the results of its operations and cash flows for the year then ended in accordance with the generally accepted Accounting Principles.

Endorsed by:

GAMARRA ANTONIO MEDRANO N.

*Certified Public Accountant
Registration No. 232
Registration No. 28787
Independent Auditor*

SUN PHARMACEUTICAL PERU SAC.

BALANCE SHEET

(Note: I to 4)

As on December 31, 2015, 2014

	2015	2014	SI.	SI.
ASSETS				
CURRENT ASSETS				
Cash and Bank (note 05)	68,471	25,009		0
Other Accounts Receivable (note 06)	1,126	0		17,080
Total Current Assets	69,597	25,009		17,080
Property, plant and equipment (Net of Accumulated Depreciation) (note 07)	12,307	24,534		1,500
Total Non-current Assets	12,307	24,534		1,500
TOTAL ASSETS	81,904	49,543		18,580
CURRENT LIABILITY, DEFERRED PROFIT AND EQUITY				
CURRENT LIABILITY				
Trade Accounts Payable (note 08)			22,978	0
Other Accounts Payable (note 09)			9,269	17,080
Total Current Liability			32,247	17,080
Miscellaneous Accounts Payable Related (note 10)	6,454,657	4,782,239		4,782,239
TOTAL LIABILITY (note 11)	6,486,904	4,782,239		4,782,239
EQUITY				
Equity Capital	1,500	1,500		1,500
Retained Earnings	-6,406,500	-4,751,276		-4,751,276
TOTAL EQUITY	-6,405,000	-4,749,776		-4,749,776
TOTAL LIABILITY, DEFERRED PROFIT AND EQUITY	81,904	49,543		49,543

The accompanying notes are an integral part of the Financial Statements

SUN PHARMACEUTICAL PERU SAC.

Statement of Cash Flows (Note 2)

For the years ended as on December 31, 2015, 2014

	<u>2015</u>	<u>2014</u>
	<u>S/.</u>	<u>S/.</u>
OPERATING ACTIVITIES		
Collection from clients	-	-
Other cash receipts related to the activity	776,249	292,533
Payments to suppliers	-	-
Payments to employees and social benefits	-	-
Tax payments	-	-
Interest payments and maintenance	-	-
Other payments related to the activity	-1,655,224	-954,461
Net cash provided by operating activities	<u>-878,975</u>	<u>-661,928</u>
INVESTING ACTIVITIES		
Sales of furniture and equipment	-14,042	-6,727
Purchase of other assets	-	-
Purchase of furniture and equipment	-	-
Net Cash used in investing activities	<u>-14,042</u>	<u>-6,727</u>
FINANCING ACTIVITIES		
Increased bank loans	941,986	682,164
Bank loan amortization	-5,507	-
Net cash provided by (used in) financial activities	<u>-</u>	<u>-</u>
(Net decrease) increase in cash	43,462	13,508
Cash balance at the beginning of year	25,009	11,501
Cash balance at the end of the year	<u>68,471</u>	<u>25,009</u>

The accompanying notes are part of the Financial Statements

SUN PHARMACEUTICAL PERU SAC.

STATEMENT OF CHANGES IN EQUITY

For the years ended as on December 31, 2015

NOTES 1 and 2

Expressed in Nuevos Soles

	S/.	S/.	S/.	S/.	S/.	S/.
	Equity Capital	Additional Capital	Revaluation Surplus	Retained Earnings	Legal Reserves	TOTAL
Opening balance as on January 1, 2015	1,500	0	0	0	0	1,500
Prior year adjustments	0			0		0
Accumulated Reserves	0			0		0
Application of transfers to deferred charges	0			0		0
Capitalization of equity items	0			0		0
Complementing cash contribution	0			0		0
Net Income (Loss) Net of the previous year	0			-4,751,276		-4,751,276
Net Income (Loss) for the period	0			-1,655,224		-1,655,224
Cancellation of subscribed and unpaid shares	0			0		0
BALANCE AS ON DECEMBER 31, 2015	1,500	0	0	-6,406,500	0	-6,405,000

The accompanying notes are an integral part of the Financial Statements

SUN PHARMACEUTICAL PERU SAC.
INCOME STATEMENT

NOTES 1 AND 2

For the years ended as on December 31, 2015, 2014

	2015	2014
	S/.	S/.
Net Sales		
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
Other operations by discount and rebate	-	-
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
TOTAL GROSS INCOME	-	-
Sales Cost		
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
GROSS PROFIT	-	-
Selling expenses	(692,416)	(828,125)
Administrative expenses	(87,609)	(59,251)
RESULTS FROM OPERATIONS	(780,025)	(887,376)
Other Income and expenses		
Dividends	-	-
Financial income	-	-
Other income	-	-
Financial expenses	(765,643)	(336,439)
Other expenses	(109,556)	(110,020)
PROFITS BEFORE PARTICIPATION IN PROFITS & DEDUCTIONS AND INCOME TAX	(1,655,224)	(1,333,836)
Employee Participation	-	-
Income Tax	-	-
PROFITS BEFORE EXTRAORDINARY ITEMS	(1,655,224)	(1,333,836)
Extraordinary items, net income tax (applicable of S/.....previous year S/.....)	-	-
PROFIT (OR LOSS) FOR THE YEAR	(1,655,224)	(1,333,836)

The accompanying notes are part of the Financial Statements

SUN PHARMACEUTICAL PERU SAC.
INCOME STATEMENT

NOTES 1 AND 2

For the years ended as on December 31, 2015, 2014

	2015	2014
	S/.	S/.
Net Sales		
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
Other operations by discount and rebate	-	-
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
TOTAL GROSS INCOME	-	-
Sales Cost		
To third parties	-	-
To subsidiaries (or head office) and affiliates	-	-
GROSS PROFIT	-	-
Selling expenses	(692,416)	(828,125)
Administrative expenses	(87,609)	(59,251)
RESULTS FROM OPERATIONS	(780,025)	(887,376)
Other Income and expenses		
Dividends	-	-
Financial income	-	-
Other income	-	-
Financial expenses	-	-
Other expenses	(765,843)	(336,439)
	(109,556)	(110,020)
PROFITS BEFORE PARTICIPATION IN PROFITS & DEDUCTIONS AND INCOME TAX	(1,655,224)	(1,333,836)
Employee Participation	-	-
Income Tax	-	-
PROFITS BEFORE EXTRAORDINARY ITEMS	(1,655,224)	(1,333,836)
Extraordinary items, net income tax (applicable of S/.....previous year S/.....)	-	-
PROFIT (OR LOSS) FOR THE YEAR	(1,655,224)	(1,333,836)

The accompanying notes are part of the Financial Statements

SUN PHARMACEUTICAL PERU S. A.C.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

03. OBJECTIVE, ACTIVITIES AND LEGAL ASPECT

SUN PHARMACEUTICAL PERU S.A.C. was incorporated on June 27, 2006 in compliance with the legal formalities and in accordance with the General Law of Commercial Companies duly registered on the Register of Legal Entities of Lima, on January 27, 2006 on item No. 11703068 and amendments.

The main activity of the company is devoted to the commercialization of pharmaceutical products.

Within the corporate purpose, acts related to the activities described in the preceding paragraphs that contribute to its goals achievement are included. To comply with the corporate purpose, the company may perform all legal acts and contracts without restriction or limitation

The activity of SUN PHARMACEUTICAL PERU S.A.C. is governed by the New General Law of Commercial Companies and as provided in the ARTICLES and rules of incorporation and amendments.

04. ACCOUNTING PRINCIPLES AND POLICIES

The most significant accounting principles and policies applied for registration of operations and arrangement of Financial Statements are as follows:

- a) Financial Statements are arranged in accordance with generally accepted Accounting Principles in Peru, which comprise the applicability of International Accounting Standards (IAS) from the date specified, and unless specifically stated otherwise, it is not retroactive. These qualitative characteristics of the Financial Statements are the attributes that make the information contained in Financial Statements useful in terms of understanding, relevance, reliability and comparability. Being the main standards supported by the National Accounting Standards Board from IAS 1 to IAS 39. The following is a brief summary of the IAS, they were NOT applied by the company in 2010, 2011 and 2012: IAS 1; Presentation of Financial Statements for general purposes, IAS 2; Inventories IAS 7; Cash Flow Statement, IAS 12; Income Taxes, IAS 16; Property, plant and equipment, IAS 18; Revenues recognition, IAS 21; Effect of changes in Exchange Rates, IAS 33; Earnings per Share.

b) *The company is expecting IFRS adoption; according to the rules determining its application of those listed companies and those exceeding the 3,000 UIT.:*

a) The Financial Statements have been adjusted to reflect the effect of variations in the Peruvian currency's purchasing power, using for this purpose the methodology established in Resolution No. 2, 3 and amendments of the National Accounting Standards Board as detailed:

- The adjusted balances correspond to the balances of historical values which have been corrected to express these in a currency with the same purchasing power as in the closing date, by applying the coefficients obtained, national Wholesale Price Indexes (WPI) (Indexes published by the National Institute of Statistics and Informatics INEI, for its acronym in Spanish).

- Non-monetary items such as property, plant and equipment, and equity have been updated using the indexes according to the dates of origin of the items.

- Items of Profit and Loss, except for the depreciation of property, plant and equipment (which was determined based on the adjusted amount of these assets) and exchange differences are not adjusted, they have been corrected by applying to the monthly amounts or historical values, the indexes for these months.

- Non-monetary foreign currency items have not been adjusted as they have been expressed in Nuevos Soles at the exchange rate for the closing date; the value thus determined corresponds to the currency of purchasing power of that date.

- Likewise, for a better presentation of Inflation-adjusted Financial Statements, information shall be obtained from the trial balance, where the amount of adjustment is shown with the codes and extended denomination.

b) Property, plant and equipment depreciation was not calculated, but shall apply the straight-line method based on the useful life of such assets, although there is not an actual physical inventory. Disbursements for repairs and maintenance are affected.

c) Balances in foreign currency are expressed in Nuevos Soles at the exchange-rates prevailing at the year-end date, exchange profit or loss from transactions in foreign currency affect Income for the year in which it originates, except when they are directly related to the procurement of fixed assets, in which case they are added to the cost of these goods.

d) In order to arrange the Cash Flow Statement, the Company has not considered applying for now as it is involved in an investment process, but if applied in the following years, it would be as cash, cash and bank balances.

05. CASH AND BANKS.

This item consists of:

FOR THE YEARS ENDED
AS ON DECEMBER 31
In Nuevos Soles

<u>DETAIL</u>	<u>2015</u>	<u>2014</u>
Bank	<u>68,471</u>	<u>25,009</u>
	<u>68,471</u>	<u>25,009</u>

06. OTHER CURRENT ASSETS

This item includes:

FOR THE YEARS ENDED
AS ON DECEMBER 31
In Nuevos Soles

<u>DETAIL</u>	<u>2015</u>	<u>2014</u>
<i>Tax payments to institutions:</i>		
Income Tax	<u>1,126</u>	<u>0</u>
	<u>1,126</u>	<u>0</u>

07. PROPERTY, PLANT AND EQUIPMENT

An important part of the Financial Statements consists of:

VALUES ADJUSTED FOR INFLATION

AS ON DECEMBER 31

In Nuevos Soles

	<u>2015</u>		
<u>TYPE OF ASSETS</u>	<u>COSTS</u>	<u>CUMULATIVE DEPRECIATION</u>	<u>NET VALUE</u>
Transport Units	68,608	-62,489	6,119
Various equipment	7,344	1,156	6,188
	<u>75,952</u>	<u>-63,645</u>	<u>12,307</u>

8. TRADE ACCOUNTS PAYABLE

Formed by:

FOR THE YEARS ENDED

AS ON DECEMBER 31

In Nuevos Soles

DETAIL

	<u>2015</u>	<u>2014</u>
Bills payable in national currency	<u>22,978</u>	<u>0</u>
	<u>22,978</u>	<u>0</u>

9. OTHER MISCELLANEOUS ACCOUNTS PAYABLE

This item consists of:

FOR THE YEARS ENDED
AS ON DECEMBER 31
In Nuevos Soles

<u>DETAIL</u>	<u>2015</u>	<u>2014</u>
<i>Allowance payable:</i>		
<i>Tax payable</i>	1,260	0
<i>trade accounts payable</i>	0	17,080
<i>Compensation and interest payable</i>	<u>8,009</u>	<u>0</u>
	<u>9,269</u>	<u>17,080</u>

10. MISCELLANEOUS ACCOUNTS PAYABLE

Formed by:

FOR THE YEARS ENDED
AS ON DECEMBER 31
In Nuevos Soles

<u>DETAIL</u>	<u>2015</u>	<u>2014</u>
<i>Third Party Accounts:</i>		
<i>Miscellaneous Accounts Payable</i>	1'030,644	0
<i>Miscellaneous Accounts Payable Related</i>	<u>5'424,013</u>	<u>4'782,239</u>
	<u>6'454,657</u>	<u>4'782,239</u>

11. EQUITY

Formed by:

FOR THE YEARS ENDED
AS ON DECEMBER 31
In Nuevos Soles

<u>DETAIL</u>	<u>2015</u>	<u>2014</u>
Equity Capital	1,500	1,500
Net Income Anteriores	-4'751,276	0
Net Income	<u>-1'655,224</u>	<u>-4'751,276</u>
	<u>-6'405,000</u>	<u>-4'749,776</u>

At the time of its founding, in 2006, the Company had S/. 1,500.00 Nuevos Soles as Equity, which after its accounting formalization, and according to the 2014 Balance Sheet, it still remained at S/. 1,574.00 Nuevos Soles, representing 1,574.00 units of common shares and a nominal value of one Nuevo Sol (S / .1.00) for each share.

According to the 2015 Balance Sheet the Equity is still comprised of S / . 1,500.00 Nuevos Soles, representing 1,500.00 units of common shares with a nominal value of one Nuevo Sol (S / .1.00) for each share as the company has had losses since 2014 and 2015. Equity is negative and it is expected to be positive in the third year.

15. INCOME TAX

Through the Consolidated Text of the Law on Income Tax, Supreme Decree No. 179-2004-EF and amendments, rules are established as approved by Supreme Decree No. 054-99-EF, hereinafter TUO, and related standards regulating the Income Tax, as amended by Law No. 27356, 27386 and 27394 and Law No. 27513 and Law No. 27615. This standard has been regulated by Supreme Decree No. 122-94-EF, modified by SD 194-99-EF and S.D. 045-2001-EF.