



SUN PHARMA MOROCCO LLC SARLAU

GENERAL REPORT OF STATUTORY AUDITOR

YEAR ENDED MARCH 31" 2016

*(This is a free translation into English of our audit report signed and issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction and construed solely in accordance with Moroccan law and Moroccan professional standards).*

To the Shareholder of SUN PHARMA MOROCCO LLC SARL AU  
Casablanca

#### GENERAL REPORT OF STATUTORY AUDITOR

Year from April 1<sup>st</sup>, 2015 to March 31<sup>st</sup>, 2016

In accordance with our assignment as statutory auditor by your General Meeting of November 5<sup>th</sup>, 2015, we have audited the accompanying financial statements including the balance sheet, the profit and loss account, the statement of management intermediary incomes, the cash flow statement and the attached disclosures of SUN PHARMA MOROCCO LLC SARL AU for the year ended March 31<sup>st</sup>, 2016, which show a negative net equity of MAD 21287 267, 14 including a net profit of MAD 3 784 191, 93.

#### Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Moroccan accounting principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the presentation of financial statements that are free from material misstatement, and making accounting estimates that are reasonable in the circumstances.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Moroccan auditing standards. Those standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph above are regular and sincere and give, in all material aspects, a fair view of the result of the year's operations and the financial position and assets of the Company SUN PHARMA MOROCCO U..C SARLAU as of March 31st, 2016, in accordance with Moroccan accounting principles.

Without qualifying the above opinion, we bring to your attention the following situation :

- We bring your attention to the fact that the net equity as of March, 31", 2016, is negative for an amount of 21287 thousands of Moroccan dirhams.
- According to article 86 of the law 5-96 (Law on LLCs), the sole shareholder must decide whether the company should be liquidated. If the sole shareholder decides the company should not be liquidated, then he must create reserves through either earnings or an increase of capital, so that equity becomes at least equal to one fourth (25%) of share capital.

Casablanca, May 26th 2016

THE STATUTORY AUDITOR

Chakib Zaari

Revisea Casablanca SARL

## MANAGEMENT REPORT

-Fiscal Year 2015-16

Sir,

The present Management Report has been established in conformity with the provisions of the law 5-96 relating in particular to limited liability companies and to the bylaws of the company in order to present you the activities of the company during the fiscal year ended on March 31st 2016, results of these activities and its economic outlook in view to submit to your approval the balance sheet and the annual accounts.

### 1- ANALYSIS AND COMMITMENTS REGARDING THE ACTIVITIES

During the year, the company strengthened its market presence in Morocco pharmaceutical market led by strong growth in business of its existing products. The company is now ranked among top 25 companies in the private pharmaceutical market of Morocco. Further the company launched eight new brands, **Alyvir** ( Valaciclovir), **Ranclast** (Zoledronic Acid), **Raciper** (Esomeprazole), **Ranciphex** (Rabeprazole), **Staxom** (Moxifloxacin), **Irbesar/Co-Irbesar** (Irbesartan), **Ropinem** (Meprophenem) during the year.

We ask you to approve the annual accounts of fiscal year ended on March 31st 2015 as they are presented to you which show a accumulated loss of 37,306,759.07 MAD.

### 2- EXAMINATION OF ANNUAL ACCOUNTS AND RESULTS

Hereinafter we present to you in details the summary of financial statements of the fiscal year ended on March 31st 2016 which we submit for your acceptance.

Presentation rules and accounting methods of evaluation for the establishment of these documents are in compliance with the legislation in force.

In the course of fiscal year 2015-16

The company has realized a turnover of MAD 108 094 982,72;

Total operating incomes are of MAD 138 584 853,76;

Total operating and administrative charges are of MAD 136 469 494,30;

Net operating income of MAD 2 115 359,46;

Fiscal year ended on March 31st 2016 shows a net profit after tax of MAD 3 784 191,93

3- REGULATED AGREEMENTS REGARDS TO THE ARTICLE 64 OF THE LAW 5-96

During the fiscal year, the company did not conclude any regulated agreement with the mother company.

4- PROPOSAL OF RESULTS ALLOCATION

We propose to decide to carry forward the profit of fiscal year ended on March 31st 2015 for an amount of MAD 3 784 191,93.

Moreover, we suggest you to decide the continuation of the company despite the existence of the accumulated losses that make the net equity of the company less than on quarter of the registered share capital.

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5- ECONOMIC OUTLOOK

In 2016/17, the company will get more Market Authorizations which are under approval process at the ministry of Health, to increase its sales and profitability. This will allow Ranbaxy Morocco LLC to strengthen its presence in Morocco.

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We are staying at your disposal for any clarification requests and for any further information.

At last, we hope that you shall agree with previous elements and that you shall vote positively the following resolutions which are now presented to you.

Casablanca, 25 May 2016

A Manager

**Atul CHHABRA**

Period ended March 31 2016

Assets		Current Year			Prior Year Net Amount
		Gross Amount	Amortissements & depreciation	Net Amount	
	<b>A - CAPITALIZED EXPENSES</b>	<b>163 353,00</b>	<b>110 811,81</b>	<b>52 541,19</b>	<b>78 811,79</b>
	Preliminary expenses	163 353,00	110 811,81	52 541,19	78 811,79
	Deferred expenses on several years	-	-	-	-
	Premium of debentures refund	-	-	-	-
	<b>B - INTANGIBLE FIXED ASSETS</b>	<b>32 791,00</b>	<b>6 473,68</b>	<b>26 317,32</b>	<b>14 690,30</b>
	Research and development	-	-	-	-
	Patents, Trademarks, and similar rights	32 791,00	6 473,68	26 317,32	14 690,30
	Goodwill	-	-	-	-
	Other Intangible Assets	-	-	-	-
	<b>C - TANGIBLE FIXED ASSETS(</b>	<b>1 193 542,15</b>	<b>446 904,19</b>	<b>746 637,96</b>	<b>830 054,16</b>
	Land	-	-	-	-
	Buildings	-	-	-	-
	Industrial fixtures and equipment	79 806,05	32 484,86	47 321,19	57 646,78
	Transportation equipment	-	-	-	-
	Office equipment and furniture	1 113 736,10	414 419,33	699 316,77	772 407,38
	Other tangible fixed assets	-	-	-	-
	Tangible fixed assets in progress	-	-	-	-
	<b>D - LONG TERM INVESTMENTS</b>	<b>608 347,26</b>	<b>-</b>	<b>608 347,26</b>	<b>799 774,56</b>
	Long term loans	-	-	-	-
	Other financial assets	608 347,26	-	608 347,26	799 774,56
	Investments	-	-	-	-
	Other investments	-	-	-	-
	<b>E - UNREALISED EXCHANGE RATE LOSSES (Non Curent)</b>				
	Unrealised exchange rate losses (from long term assets)	-	-	-	-
	Unrealised exchange rate losses (from long term liabilities)	-	-	-	-
	<b>TOTAL I (A+B+C+D+E)</b>	<b>1 998 033,41</b>	<b>564 189,68</b>	<b>1 433 843,73</b>	<b>1 723 330,81</b>
	<b>F -INVENTORIES</b>	<b>27 297 526,68</b>	<b>1 305 538,36</b>	<b>25 991 988,32</b>	<b>19 989 300,15</b>
	Merchandises	17 755 144,62	1 305 538,36	16 449 606,26	201 693,32
	Raw materials and furnitures	7 532 620,60	-	7 532 620,60	7 479 458,81
	Work in progress	474 230,92	-	474 230,92	-
	Intermediate and residual products	-	-	-	-
	Finished products	1 535 530,54	-	1 535 530,54	12 308 148,02
	<b>G -CURRENT ASSETS</b>	<b>77 667 912,78</b>	<b>-</b>	<b>77 667 912,78</b>	<b>33 754 064,99</b>
	Advances payments to suppliers and other debtors	1 168 496,58	-	1 168 496,58	1 727 389,02
	Trade accounts receivable	69 870 357,14	-	69 870 357,14	27 262 322,16
	Personnel	680 765,29	-	680 765,29	510 359,23
	Taxes	5 606 386,22	-	5 606 386,22	4 209 545,66
	Shareholders Current accounts	-	-	-	-
	Others debtors	288 786,43	-	288 786,43	36 800,00
	Deferral accounts	53 121,12	-	53 121,12	7 648,92
	<b>H- MARKETABLE SECURITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>I - UNREALISED EXCHANGE RATE LOSSES</b>	<b>5 644 304,91</b>	<b>-</b>	<b>5 644 304,91</b>	<b>11 445 463,22</b>
	<b>TOTAL II (F+G+H+I)</b>	<b>110 609 744,37</b>	<b>1 305 538,36</b>	<b>109 304 206,01</b>	<b>65 188 828,36</b>
	<b>CASH AND CASH EQUIVALENTS (Assets)</b>	<b>1 629 237,13</b>	<b>-</b>	<b>1 629 237,13</b>	<b>10 371 955,11</b>
	Checks and other instruments to be cashed	-	-	-	-
	Cash on Bank	1 593 273,52	-	1 593 273,52	10 350 960,50
	Cash on hand	35 963,61	-	35 963,61	20 994,61
	<b>TOTAL III</b>	<b>1 629 237,13</b>	<b>-</b>	<b>1 629 237,13</b>	<b>10 371 955,11</b>
	<b>TOTAL ASSETS I+II+III</b>	<b>114 237 014,91</b>	<b>1 869 728,04</b>	<b>112 367 286,87</b>	<b>77 284 114,28</b>

## BALANCE SHEET LIABILITIES

Period ended March 31 2016

LIABILITIES		Current Year	Prior Year
	<b>A - Shareholder's equity</b>	- 21 287 267,14	- 25 071 459,07
	Common stock	12 235 300,00	12 235 300,00
	(Minus) Common stock subscribed but not called-up called-up capital		-
	capital appelé		-
C	Paid-in capital : 12 235 300		-
A	Issuance, merger and contribution premium		-
P	Revaluation reserve		-
I	Legal reserve		-
T	Others reserves		-
A	Profit/ loss account brought forward	- 37 306 759,07	- 12 704 839,92
L	Not yet allocated income/loss		
	Net income / loss of the year	3 784 191,93	- 24 601 919,15
&	<b>B - RELATED EQUITY</b>	-	-
R	Investment Subsidy		-
E	Regulatory provisions		-
S	<b>C - FINANCIAL LIABILITIES</b>	-	-
E	Debenture Loans		-
R	Other financial liabilities		-
V	<b>D - PROVISION FOR CONTINGENCIES AND LOSSES</b>	-	-
E	Provision for contingencies		-
S	Provision for losses		-
	<b>E - UNREALISED EXCHANGE RATE GAINS ( Non Current)</b>	-	-
	Unrealised exchange rate gains from long term assets		-
	Unrealised exchange rate gains from long term liabilities		-
	<b>TOTAL I (A+B+C+D+E)</b>	- 21 287 267,14	- 25 071 459,07
	<b>F - CURRENT LIABILITIES</b>	126 822 947,26	89 100 400,77
L	Trade accounts payable	71 363 739,11	39 174 070,40
I	Clients in credit, Advance payments received	-	-
A	Personnel	2 495 399,84	973 624,62
B	Social security liabilities	1 294 237,34	599 736,76
I	Taxes	5 331 788,26	1 822 065,29
L	Shareholders current accounts	46 337 782,71	46 528 106,70
I	Others debts		2 797,00
T	Deferral accounts		
I	<b>G - OTHER PROVISION FOR CONTINGENCIES AND LOSSES</b>	5 826 444,91	11 445 463,22
E	<b>H - UNREALISED EXCHANGE RATE GAINS (Current )</b>	1 005 161,84	1 809 709,36
S	<b>TOTAL II (F+G+H)</b>	133 654 554,01	102 355 573,35
T	<b>CASH LIABILITIES</b>	-	-
R	Discounts credit		
E	Short term credit facility		
S	Bank Overdrafts		
O	<b>TOTAL III</b>	-	-
R	<b>TOTAL GENERAL I+II+III</b>	112 367 286,87	77 284 114,28

Period ended March 31 2016

ITEM	OPERATIONS			Prior Year Net Amount
	Related to the period 1	Related to the prior periods 2	Net amount 3	
<b>1 - OPERATING REVENUE</b>				
Sales of merchandise	108 094 982,72		108 094 982,72	50 325 572,04
Sales of goods and services			-	
Finished Goods inventory change (+/-) (1)	893 062,10		893 062,10	9 105 468,45
Self constructed capital asset			-	
Operating Subsidy			-	
Others operating income			-	
Reversal of operating provisions-charges transfer	29 596 808,94		29 596 808,94	10 193 714,88
<b>TOTAL ( 1 )</b>	<b>138 584 853,76</b>	<b>-</b>	<b>138 584 853,76</b>	<b>69 624 755,37</b>
<b>2 - OPERATING EXPENSES</b>				
Purchase of goods for resale (2)	55 725 246,33		55 725 246,33	47 761 682,14
Purchase of materials and supplies (2)	9 276 710,12		9 276 710,12	3 947 114,93
Other external expenses	51 825 097,28	180 207,32	52 005 304,60	15 165 580,54
Taxes	732 260,02		732 260,02	1 635 715,65
Personnel expenses	18 418 370,65		18 418 370,65	10 222 980,03
Other operating expenses			-	
Operating allowances (for depreciation and risks)	491 809,90		491 809,90	994 089,42
<b>TOTAL ( 2 )</b>	<b>136 469 494,30</b>	<b>180 207,32</b>	<b>136 649 701,62</b>	<b>79 727 162,71</b>
<b>3 - OPERATING INCOME / LOSS (1-2)</b>	<b>2 115 359,46</b>	<b>- 180 207,32</b>	<b>1 935 152,14</b>	<b>- 10 102 407,34</b>
<b>4 - FINANCIAL REVENUES</b>				
Revenue from investment and others			-	
Exchange gains	144 038,28		144 038,28	85 177,21
Interests and other financial revenue	53 121,12		53 121,12	
Reversal of financial provisions - charges transfer	11 445 463,22		11 445 463,22	48 301,00
<b>TOTAL ( 4 )</b>	<b>11 642 622,62</b>	<b>-</b>	<b>11 642 622,62</b>	<b>133 478,21</b>
<b>5 - FINANCIAL EXPENSES</b>				
Interests expenses	1 275 382,33		1 275 382,33	928 477,52
Exchange losses	2 155 386,80		2 155 386,80	2 029 638,21
Other financial expenses			-	
Financial allowances	5 644 304,91		5 644 304,91	11 445 463,22
<b>TOTAL ( 5 )</b>	<b>9 075 074,04</b>	<b>-</b>	<b>9 075 074,04</b>	<b>14 403 578,95</b>
<b>6 - FINANCIAL INCOME (4-5)</b>	<b>2 567 548,58</b>	<b>-</b>	<b>2 567 548,58</b>	<b>- 14 270 100,74</b>
<b>7 - ORDINARY INCOME (3+6)</b>	<b>4 682 908,04</b>	<b>- 180 207,32</b>	<b>4 502 700,72</b>	<b>- 24 372 508,08</b>
<b>8 - EXCEPTIONAL REVENUE</b>				
Revenue from assets disposal			-	9 265,44
Balancing Subsidy			-	
Reversal of Investment Subsidy			-	
Other extraordinary revenue	19 868,23		19 868,23	33 757,57
Reversal of extraordinary provisions- charges transfer			-	
<b>TOTAL ( 8 )</b>	<b>19 868,23</b>	<b>-</b>	<b>19 868,23</b>	<b>43 023,01</b>
<b>9 - EXCEPTIONAL EXPENSES</b>				
Net value of sold assets			-	6 369,98
Granted Subsidies			-	
Others extraordinary expenses	197 329,02		197 329,02	13 841,10
Extraordinary allowances			-	
<b>TOTAL ( 9 )</b>	<b>197 329,02</b>	<b>-</b>	<b>197 329,02</b>	<b>20 211,08</b>
<b>- A - EXCEPTIONAL INCOME / LOSS (8-9)</b>			<b>- 177 460,79</b>	<b>22 811,93</b>
<b>- B - INCOME / LOSS BEFORE TAXES((7+A)</b>			<b>4 325 239,93</b>	<b>- 24 349 696,15</b>
<b>- C - INCOME TAX</b>			<b>541 048,00</b>	<b>252 223,00</b>
<b>- D - NET INCOME / LOSS ( B - C )</b>			<b>3 784 191,93</b>	<b>- 24 601 919,15</b>
<b>TOTAL OF REVENUES (1+4+8)</b>			<b>150 247 344,61</b>	<b>69 801 256,59</b>
<b>TOTAL OF EXPENSES (2+5+9+12)</b>			<b>146 463 152,68</b>	<b>94 403 175,74</b>
<b>NET INCOME</b>			<b>3 784 191,93</b>	<b>- 24 601 919,15</b>

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## Management Results Summary

Period ended March 31 2016

## I. Breakdown of incomes

			Exercise	Exercise Prec.	
	1		Sales of merchandise	108 094 982,72	50 325 572,04
	2	-	Purchase of goods for resale (2)	55 725 246,33	47 761 682,14
<b>I</b>		=	<b>Gross Margin</b>	<b>52 369 736,39</b>	<b>2 563 889,90</b>
<b>II</b>		+	<b>Other Revenue of the Exercise</b>	<b>893 062,10</b>	<b>9 105 468,45</b>
	3		Sales of goods and services	-	-
	4		Finished Goods inventory change (+/-)	893 062,10	9 105 468,45
	5		Self constructed capital asset	-	-
<b>III</b>		-	<b>Consumption of the current year</b>	<b>61 282 014,72</b>	<b>19 112 695,47</b>
	6		Purchase of materials and supplies (2)	9 276 710,12	3 947 114,93
	7		Other external expenses	52 005 304,60	15 165 580,54
<b>IV</b>		=	<b>Value Added ( I + II - III)</b>	<b>- 8 019 216,23</b>	<b>- 7 443 337,12</b>
	8	+	Operating Subsidy	-	-
	9	-	Taxes	732 260,02	1 635 715,65
	10	-	Personnel expenses	18 418 370,65	10 222 980,03
<b>V</b>		=	<b>EBIDTA Positive</b>		
		Or	<b>EBIDTA Negative</b>	<b>- 27 169 846,90</b>	<b>- 19 302 032,80</b>
	11	+	Others operating income	-	-
	12	-	Other operating expenses	-	-
	13	+	Reversal of operating provisions-charges transfer	29 596 808,94	10 193 714,88
	14	-	Operating allowances (for depreciation and risks)	491 809,90	994 089,42
<b>VI</b>		=	<b>Operating Income ( + ou - )</b>	<b>1 935 152,14</b>	<b>- 10 102 407,34</b>
<b>VII</b>		+/-	<b>Financial Income</b>	<b>2 567 548,58</b>	<b>- 14 270 100,74</b>
<b>VIII</b>		=	<b>Current Income ( + ou - )</b>	<b>4 502 700,72</b>	<b>- 24 372 508,08</b>
<b>IX</b>		+/-	<b>Non Current Income</b>	<b>- 177 460,79</b>	<b>22 811,93</b>
	15	-	Corporate tax	541 048,00	252 223,00
<b>X</b>		=	<b>Net Earnings</b>	<b>3 784 191,93</b>	<b>- 24 601 919,15</b>

## II. Cash Flow

	1		Net earnings		
			* Profit +	3 784 191,93	
			* Loss -		- 24 601 919,15
	2	+	Operating allowances (for depreciation and risks)	491 809,90	994 089,42
	3	+	Financial allowances	5 644 304,91	11 445 463,22
	4	+	Extraordinary allowances	-	-
	5	-	Reversal of operating provisions-charges transfer	29 596 808,94	10 193 714,88
	6	-	Reversal of financial provisions - charges transfer	11 445 463,22	48 301,00
	7	-	Reversal of extraordinary provisions- charges transfer	-	-
	8	-	Revenue from assets disposal	-	9 265,44
	9	+	Net value of sold assets	-	6 369,98
<b>I</b>		=	<b>Cash Flow</b>	<b>- 1 525 156,48</b>	<b>12 388 356,18</b>
	10	-	Dividends		-
<b>II</b>		=	<b>Net Cash flow</b>	<b>- 1 525 156,48</b>	<b>12 388 356,18</b>