SUN LABORATORIES FZE

Financial Statements

31 March 2021

SUN LABORATORIES FZE

Financial Statements
31 March 2021

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Director's Report

The director submits his report, together with the audited financial statements of **SUN LABORATORIES FZE**, for the year ended 31 March 2021.

Results and appropriations

The results of the establishment and the appropriations made for the year ended 31 March 2021 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 2021, and the financial performance, changes in equity and cash flows of the establishment for the year then ended in accordance with the International Financial Reporting Standards and applicable requirements of the Sharjah Airport International Free Zone Authority.

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 lease finance as its main activity and has earned consideration from distribution and marketing of pharmaceutical products which is ancillary and in relation to its main activity.

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 as at 31 March 2021 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**

Auditor

A resolution to re-appoint the auditor and fix the remuneration will be put to the board at the annual general meeting.

Harin P. Mehta
DIRECTOR

INDEPENDENT AUDITOR'S 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 2021, and 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 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 2021, and 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the establishment 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 the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. 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.

Auditor's 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 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 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 AUDITOR'S REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

Auditor's 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'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 our auditor's 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 matter 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
10 May 2021
Dubai, United Arab Emirates

SUN LABORATORIES FZE

Statement of Financial Position
as at 31 March 2021

	Notes	2021 USD	2020 USD
ASSETS			
Non-current asset			
Intangible assets	5	**169,085,741**	**278,073,348**
Current assets			
Trade receivables	6	50,974,295	35,617,258
Advances, deposits and other receivables	7	286,011	1,776,155
Prepayments		12,299	16,254
Cash and bank balances	8	7,010,161	11,757,906
		58,282,766	**49,167,573**
Total assets		**227,368,507**	**327,240,921**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	12,251,565	12,251,565
Accumulated losses		(14,279,792)	(21,290,023)
Total deficit		**(2,028,227)**	**(9,038,458)**
Liabilities			
Non-current liability			
Long-term loan	10	**96,000,000**	**304,067,567**
Current liabilities			
Trade payables	11	131,756,247	2,863,151
Other payables and accruals	12	1,640,487	29,348,661
		133,396,734	**32,211,812**
Total liabilities		**229,396,734**	**336,279,379**
Total equity and liabilities		**227,368,507**	**327,240,921**

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 2021

	Notes	2021 USD	2020 USD
Sales	13	**319,419,374**	**112,859,365**
Cost of sales	14	(309,273,095)	(103,607,811)
Gross profit		**10,146,279**	**9,251,554**
Other income	15	5,801	15,185
Expenses			
Promotional and marketing expenses	16	(3,065,646)	(4,633,953)
Lease and license fee		(8,814)	(12,133)
Administrative expenses	17	(247,712)	(268,853)
Foreign exchange gain / (loss)		180,323	(59,936)
Provision for doubtful debts		-	(506,256)
Interest on long term loan	10	-	(10,649,303)
Total expenses		**(3,141,849)**	**(16,130,434)**
Profit / (loss) for the year		**7,010,231**	**(6,863,695)**
Other comprehensive income / (loss)		-	-
Total comprehensive income / (loss) for the year		**7,010,231**	**(6,863,695)**

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 2021

	Share capital USD	*Accumulated losses USD*	*Total USD*
As at 31 March 2019	**12,251,565**	**(14,426,328)**	**(2,174,763)**
Loss for the year	-	(6,863,695)	(6,863,695)
As at 31 March 2020	**12,251,565**	**(21,290,023)**	**(9,038,458)**
Profit for the year	-	7,010,231	7,010,231
As at 31 March 2021	**12,251,565**	**(14,279,792)**	**(2,028,227)**

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 2021

	Note	*2021 USD*	*2020 USD*
Cash flows from operating activities			
Profit / (loss) for the year		7,010,231	(6,863,695)
Adjustment for:			
Finance cost		-	10,649,303
Interest income		(4,934)	(15,185)
Provision for doubtful debts		-	506,256
Amortisation		108,987,607	13,764,488
Operating profit before working capital changes		**115,992,904**	**18,041,167**
(Increase)/decrease in trade, other receivables and prepayments		(13,873,347)	(3,210,148)
Increase/(decrease) in trade and other payables and accruals		101,184,922	(7,047,893)
Net cash from/ (used in) operating activities		**203,304,479**	**7,783,126**
Cash flows from investing activities			
Interest income received		-	220
Placement / (withdrawal) of term deposit		574,265	(8,922)
Net cash from/ (used in) investing activities		**574,265**	**(8,702)**
Cash flow from financing activity			
Long term loan received / (repaid) (net)		(208,067,567)	(203,793)
Net cash from/ (used in) financing activity		**(208,067,567)**	**(203,793)**
Net increase/ (decrease) in cash and cash equivalents		**(4,188,823)**	**7,570,631**
Cash and cash equivalents at the beginning of the year		**11,198,984**	**3,628,353**
Cash and cash equivalents at the end of the year	8	**7,010,161**	**11,198,984**

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 2021

1. Legal status and activity

SUN LABORATORIES FZE (the "establishment") is a limited liability establishment incorporated on 13 March 2011 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 Office 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. However, the establishment has carried out lease finance activity during the year and has earned consideration from distribution and marketing of pharmaceutical products in relation to such activity.

The operating and administrative activities are outsourced.

2. Basis of preparation

Going concern

The establishment has accumulated losses of USD 14,279,792 *(previous year USD 21,290,023)* resulting in equity deficit of USD 2,028,227 *(previous year USD 9,038,458)* as of 31 March 2021. The current liabilities exceed current assets by USD 75,113,968. 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. The continuation of the establishment as a going concern is dependent upon the parent company continuing to provide the necessary financial support to enable the establishment to meet its obligations as and when they fall due and upon the establishment generating sufficient cash flows.

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 on 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.

Functional and presentation currency

The financial statements have been presented in US Dollars (USD), being the functional and presentation currency of the establishment.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

Basis of preparation (cont'd)

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 (IFRSs)

New and revised IFRSs applied on the financial statements
The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 April 2020, have been adopted in these financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

- *Amendments to IFRS 3* - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- *Amendments to IAS 1 and IAS 8* **–** These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies changes in accounting estimates and errors and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

- *Amendments to IFRS 9, IAS 39 and IFRS 7* **-** Interest rate benchmark reform - These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries.

- *Amendments to Conceptual framework* **–** The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

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

- *Amendments to IFRS 16, 'Leases' – Covid-19 related rent concessions* **–** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees.

  Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

New and revised IFRS in issue but not yet effective and not early adopted

- *Amendments to IAS 1, Presentation of financial statements on classification of liabilities (Effective date 1 January 2022)* **–** These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the establishment or events after the reporting period (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The above stated new standards and amendments are not expected to have any significant impact on financial statements of the establishment.

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 2020, in dealing with items that are considered material in relation to the financial statements are as follows:

Intangible assets

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.

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 supplied 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.

Intangible assets are de-recognized either on their disposal or where no future economic benefits are expected from their use.

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Notes to the Financial Statements
for the year ended 31 March 2021

Intangible assets (cont'd)

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 establishment's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The establishment's 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 current financial assets
Other current financial assets represent advances, VAT recoverable and refundable deposit.

Cash and cash equivalents
Cash and cash equivalents comprise bank balance in current accounts and short-term deposits with a maturity of three months or less, 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.
- Lifetime ECL, which represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

Summary of significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

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 establishment's 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.

Value Added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the Federal Tax Authority, in which case, the VAT 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 VAT included.

The net amount of VAT recoverable from, or payable to, the Federal Tax Authority is included as part of receivables or payables in the statement of financial position.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

Summary of significant accounting policies (cont'd)

Revenue recognition

Sale of products
Revenue from sale of products is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the establishment expects to be entitled in exchange for those goods or services. Revenue is stated net of returns, chargebacks, rebates and other similar allowances. These are calculated on the basis of historical experience and the specific terms in the individual contracts.

Interest income
Revenue from interest income is recognized on a time-proportion basis using the effective interest method.

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 have the most significant effect on the amounts recognized in the financial statements are 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 establishment 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.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

Significant judgment employed (cont'd)

Significant increase in credit risk (cont'd)

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 trade receivables are certain, accordingly, no expected credit losses are recognized.

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:

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 and provision carried in the accounts is adequate.

5. Intangible assets

	Contractual rights * USD
Cost/valuation	
As at 01.04.2020	291,837,736
As at 31.03.2021	**291,837,736**
Amortization	
As at 01.04.2020	13,764,388
Charge for the year	108,987,607
As at 31.03.2021	**122,751,995**
Net book value	
As at 31.03.2021	**169,085,741**
As at 31.03.2020	**278,073,348**

**This represents the contractual rights, along with its related assets and liabilities, to purchase pharmaceutical generic products at a discount from the ultimate parent company, at a valuation made by an independent valuer.*

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

		2021 USD	2020 USD
6.	**Trade receivables**		
	Trade receivables	51,480,551	36,123,514
	Less: provision for doubtful debts	506,256	506,256
		50,974,295	**35,617,258**

The establishment's credit period ranges between 0-180 days after which trade receivables are past due. Trade receivables include USD 14,704,632 (previous year USD Nil) due from a related party on trade account.

Although trade receivables of USD 1,824,542 (net of recoveries) are past due, they are considered good and fully recoverable by the management. 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	181-365 Days USD	> 365 Days USD
2021	**51,480,551**	11,955,009	30,886,164	6,733,845	1,005,815	899,718
2020	**36,123,514**	10,489,943	15,187,976	5,204,291	4,428,852	812,452

		2021 USD	2020 USD
7.	**Advances, deposits and other receivables**		
	Marketing authorization income receivable – ultimate parent company	248,135	248,135
	Advance to others	-	13,262
	Advance to a supplier – ultimate parent company	-	1,473,568
	Deposits	2,321	2,321
	VAT recoverable	30,999	23,904
	Accrued income	4,556	14,965
		286,011	**1,776,155**
8.	**Cash and bank balances**		
	Bank balance in current accounts	6,435,896	11,198,984
	Term deposit	574,265	-
	Cash and cash equivalents	**7,010,161**	**11,198,984**
	Term deposit	-	558,922
		7,010,161	**11,757,906**
9.	**Share capital**		
	Authorised, issued and paid-up:		
	300 shares of AED 150,000 each *(converted @ 3.673)*	**12,251,565**	**12,251,565**

10. **Long-term loan**

This represents unsecured and non-interest-bearing *(previous year interest bearing for part of the year)* long-term loan from a related party without any fixed repayment schedule (refer note 18).

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2021

	2021 USD	2020 USD
11. Trade payables		
Related parties	129,014,226	52,290
Non-related party	2,742,021	2,810,861
	131,756,247	**2,863,151**

The establishment avails credit terms of 0-180 days from the ultimate parent company. However, extended credit facility is availed during the year.

	2021 USD	2020 USD
12. Other payables and accruals		
Advance/credit balances of customers *	19,436	28,389,107
Provisions	1,608,804	947,134
Accrual	12,247	12,420
	1,640,487	**29,348,661**

**Includes USD Nil (previous year USD 28,379,647) advance from a related party.*

13. Sales

This represents sales to overseas customers net of returns and provision for chargebacks, price variation, stock adjustments and other sales deductions.

14. Cost of sales

This represents purchases from an overseas supplier net of returns and provision for chargebacks, price variation, stock adjustments and other deductions.

	2021 USD	2020 USD
15. Other income		
Interest income from bank	4,934	15,185
Interest income – others	867	-
	5,801	**15,185**
16. Promotional and marketing expenses		
Commission on sales	1,025,777	2,059,533
Business promotion expenses	1,052,738	1,320,642
Consultancy charges	987,131	1,253,778
	3,065,646	**4,633,953**
17. Administrative expenses		
Service charges	81,690	81,690
Professional charges	13,808	31,527
Bank charges	98,381	112,200
Insurance expense	16,250	25,678
Other administrative expenses	37,583	17,758
	247,712	**268,853**

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for the year ended 31 March 2021

18. 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 with which the establishment has transactions and balances during the year are as under:

Ultimate parent company

- Sun Pharmaceutical Industries Ltd., India

Parent company

- Sun Pharma Holdings, Mauritius

Fellow subsidiary

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

Subsidiaries of Ultimate Parent Company

- Sun Pharmaceutical Industries Inc – USA
- Terapia S.A – Romania

Subsidiary of Fellow subsidiary

- Sun Pharma East Africa Ltd. – Kenya

Directors

- Mr. Surendra Manishanker Joshi
- Mr. Rajesh K. Shah
- Mr. Harin P. Mehta

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

	Ultimate parent company USD	*Fellow subsidiary and its subsidiary USD*	*Subsidiaries of Ultimate Parent Company USD*	*Total 2021 USD*	*Total 2020 USD*
Purchases	200,285,488	-	-	200,285,488	14,169,163
Sales	-	(6,846)	(224,385,328)	(224,392,174)	(28,338,327)
Promotion and marketing exp.	317,708	-	-	317,708	762,509
Service charges	-	81,689	-	81,689	81,690
Interest expense *	-	-	-	-	10,649,303

**Waived during the year.*

The directors of the establishment rendered the services without any consideration charged to the establishment.

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Related party transactions and balances (cont'd)

The year-end related parties' balances are as under:

	2021 ***USD*** ***Dr / (Cr)***	***2020*** ***USD*** ***Dr / (Cr)***
Trade receivables:		
Subsidiaries of Ultimate Parent Company	14,704,632	-
Marketing authorization income receivable		
Ultimate parent company	248,135	248,135
Advance to a supplier		
Ultimate parent company	-	1,473,568
Long-term loan		
Fellow subsidiary	(96,000,000)	(304,067,567)
Trade payables		
Ultimate parent company	(129,014,226)	-
Subsidiaries of ultimate parent company	-	(52,290)
Advance/credit balance of customers		
Subsidiaries of ultimate parent company	-	(28,379,647)

19. 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 comprises share capital and accumulated losses.

20. 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 and trade and other receivables. The establishment's bank balance in current and term deposits accounts are placed with high credit quality financial institutions.

The establishment has derived 99% *(previous year 99%)* of its revenue from six *(previous year ten)* customers based overseas which includes 70% *(previous year 25%)* from a related party. At 31 March 2021, the establishment had significant concentration of credit risk with 5 overseas customers accounting for 89% *(previous year 50%)* of the trade receivables which includes 29% *(previous year Nil)* from a related party. Management believes that this concentration of credit risk is mitigated as these customers have long standing relationships with related parties.

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for the year ended 31 March 2021

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

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 establishment 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 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 interest free (previous year at a fixed rate of interest). Term deposit is at a fixed 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:

	2021 Equivalent USD	***2020 Equivalent USD***
Foreign currency financial assets:		
Trade receivables		
Euro (EUR)	5,508,811	3,665,397
Bank balance		
Euro (EUR)	3,115,630	1,255,307
Foreign currency financial liability:		
Trade payables		
Euro (EUR)	3,437,593	-

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Notes to the Financial Statements
for the year ended 31 March 2021

21. Financial instruments: Fair values

The fair values of the establishment's financial assets, comprising 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.

22. Capital commitments and contingent liabilities

There were no capital commitments and contingent liabilities 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/(loss), net assets or equity of the establishment.

24. Other matter

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. As a result, businesses have subsequently seen reduced customer traffic and, where governments mandated, temporary suspension of travel and closure of recreation and public facilities. In addition, oil prices significantly dropped in January to March 2020 due to a number of political and economic factors, which has also contributed towards lower spending capacity.

We, Sun Pharma are fortunate to be a part of the pharmaceutical industry, which has been least impacted by the ongoing COVID-19 pandemic. The management actively monitors the situation of COVID-19 breakout as it evolves, on its financial condition, liquidity, operations, suppliers, industry and workforce and will take necessary measures to safeguard interest of stakeholder of the establishment. Considering the nature of operations of the establishment, besides some temporary disruption in Supply Chain, there is no other impact on the Group/Establishment. These conditions are considered subsequent and non-adjusting events in the environment in which the establishment operates.

The situation, including the government and public response to the challenges, continue to progress and rapidly evolve. Therefore, the extent and duration of the impact of these conditions remain uncertain and depend on future developments that cannot be accurately predicted at this stage, and a reliable estimate of such an impact cannot be made at the date of authorisation of these financial statements.

25. Approval of the financial statements

The financial statements were approved by the board of directors on 10 May 2021 and authorized Mr. Harin P. Mehta to sign on behalf of the Board.

Harin P. Mehta
DIRECTOR