

**SUN LABORATORIES FZE**

**Financial Statements**

***31 March 2022***

**SUN LABORATORIES FZE**

**Financial Statements**  
**31 March 2022**

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**SUN LABORATORIES FZE**  
**Director's Report**

The Director submits his report, together with the audited financial statements of **SUN LABORATORIES FZE** (the "establishment"), for the year ended 31 March 2022.

**Results and appropriations**

The results of the establishment and the appropriations made for the year ended 31 March 2022 are set out on pages 5 and 6 of the financial statements.

In my opinion, the financial statements set out on page 4 to 24 are drawn up so as to give a true and fair view of the financial position of the establishment as at 31 March 2022, 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 carried out the activity of distribution and marketing of pharmaceutical products during the year which was inadvertently reported as lease finance activity during the previous year. This change will be reported to the authorities by the management during the current year to end on 31 March 2023.

**Events since the end of the year**

There were no important events which have occurred since the year-end that materially affect the establishment.

**Directors**

The directors of the establishment who served during the year, appointed by the parent company, were as follows:

Mr. Surendra Manishanker Joshi  
 Mr. Rajesh Khushalchand Shah (resigned on 1 October 2021)  
 Mr. Harin Parmanand Mehta  
 Mr. Kavan Bhaskarkumar Modi (appointed on 1 October 2021)

**Shareholder and its interest**

The shareholder as at 31 March 2022 and its interest as at that date in the share capital of the establishment was as under:

	<i>Country of incorporation</i>	<i>No. of shares</i>	<i>AED</i>	<i>USD</i>
Sun Pharma Holdings	Mauritius	<u>300</u>	<u>45,000,000</u>	<u>12,251,565</u>

**Independent auditor**

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

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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 2022, 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 2022, 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *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 non-maintaining of net asset value, 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**

20 May 2022

Dubai, United Arab Emirates

## SUN LABORATORIES FZE

Statement of Financial Position  
as at 31 March 2022

	<i>Notes</i>	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	97,868,727	169,085,741
Financial assets at fair value through OCI	6	45,662,168	-
Long term loans	7	<u>1,167,135</u>	<u>-</u>
		<b><u>144,698,030</u></b>	<b><u>169,085,741</u></b>
<b>Current assets</b>			
Trade receivables	8	34,039,367	50,974,295
Advances, deposits and other receivables	9	790,616	286,011
Prepayments		43,907	12,299
Cash and bank balances	10	<u>13,845,207</u>	<u>7,010,161</u>
		<b><u>48,719,097</u></b>	<b><u>58,282,766</u></b>
<b>Total assets</b>		<b><u>193,417,127</u></b>	<b><u>227,368,507</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	12,251,565	12,251,565
Accumulated losses		(29,034,217)	(14,279,792)
Cumulative changes in fair value through OCI		<u>(4,122,021)</u>	<u>-</u>
<b>Total equity deficit</b>		<b><u>(20,904,673)</u></b>	<b><u>(2,028,227)</u></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Staff end of service gratuity		51,691	-
Long-term loan	12	<u>-</u>	<u>96,000,000</u>
		<b><u>51,691</u></b>	<b><u>96,000,000</u></b>
<b>Current liabilities</b>			
Term loan	13	89,380,592	-
Trade payables	14	97,523,806	131,756,247
Other payables, provisions and accruals	15	<u>27,365,711</u>	<u>1,640,487</u>
		<b><u>214,270,109</u></b>	<b><u>133,396,734</u></b>
<b>Total liabilities</b>		<b><u>214,321,800</u></b>	<b><u>229,396,734</u></b>
<b>Total equity and liabilities</b>		<b><u>193,417,127</u></b>	<b><u>227,368,507</u></b>

The notes on pages 8 to 24 form an integral part of these financial statements.

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Harin P. Mehta  
**DIRECTOR**

## SUN LABORATORIES FZE

Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 March 2022

	<i>Notes</i>	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>Sales</b>	16	<b>232,991,747</b>	<b>319,419,374</b>
Cost of sales	17	<u>(224,224,750)</u>	<u>(309,273,095)</u>
<b>Gross profit</b>		<b>8,766,997</b>	<b>10,146,279</b>
Other income	18	1,021,900	5,801
<b>Expenses</b>			
Salaries and wages		(154,888)	-
Selling, promotional and other expenses	19	(23,631,757)	(3,322,172)
Net foreign exchange gain / (loss)		(376,085)	180,323
Interest on term loan	13	<u>(380,592)</u>	<u>-</u>
<b>Total expenses</b>		<u><b>(24,543,322)</b></u>	<u><b>(3,141,849)</b></u>
<b>Profit / (loss) for the year</b>		<b>(14,754,425)</b>	<b>7,010,231</b>
<b>Other comprehensive income / (loss):</b>			
Changes in fair value through OCI		<u>(4,122,021)</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year</b>		<u><b>(18,876,446)</b></u>	<u><b>7,010,231</b></u>

*The notes on pages 8 to 24 form an integral part of these financial statements.*

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Harin P. Mehta  
**DIRECTOR**

## SUN LABORATORIES FZE

Statement of Changes in Equity  
for the year ended 31 March 2022

	<i>Share capital USD</i>	<i>Accumulated losses USD</i>	<i>Cumulative changes in fair value through OCI USD</i>	<i>Total USD</i>
As at 31 March 2020	12,251,565	(21,290,023)	-	(9,038,458)
Profit for the year	<u>-</u>	<u>7,010,231</u>	<u>-</u>	<u>7,010,231</u>
<b>As at 31 March 2021</b>	<b>12,251,565</b>	<b>(14,279,792)</b>	<b>-</b>	<b>(2,028,227)</b>
Loss for the year	-	(14,754,425)	-	(14,754,425)
Other comprehensive loss	<u>-</u>	<u>-</u>	<u>(4,122,021)</u>	<u>(4,122,021)</u>
<b>As at 31 March 2022</b>	<b><u>12,251,565</u></b>	<b><u>(29,034,217)</u></b>	<b><u>(4,122,021)</u></b>	<b><u>(20,904,673)</u></b>

*The notes on pages 8 to 24 form an integral part of these financial statements.*

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Harin P. Mehta  
**DIRECTOR**



## SUN LABORATORIES FZE

**Statement of Cash Flows**  
*for the year ended 31 March 2022*

	<i>Note</i>	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b><u>Cash flows from operating activities</u></b>			
Profit / (loss) for the year		(14,754,425)	7,010,231
Adjustments for:			
Finance cost		380,592	-
Interest income		(1,021,900)	(4,934)
Provision for claims/contingencies		20,949,099	-
Provision for staff end of service gratuity		51,691	-
Amortisation		<u>71,217,014</u>	<u>108,987,607</u>
<b>Operating profit before working capital changes</b>		<b>76,822,071</b>	<b>115,992,904</b>
(Increase)/decrease in trade, other receivables and prepayments		16,862,305	(13,873,347)
Increase/(decrease) in trade and other payables, provisions and accruals		<u>(29,456,316)</u>	<u>101,184,922</u>
<b>Net cash from/ (used in) operating activities</b>		<b><u>64,228,060</u></b>	<b><u>203,304,479</u></b>
<b><u>Cash flows from investing activities</u></b>			
Interest income received		558,310	-
Payment for purchase of bonds		(35,928,730)	-
Payment for purchase of equity instruments		(13,855,459)	-
Placement / (withdrawal) of term deposit		-	<u>574,265</u>
<b>Net cash from/ (used in) investing activities</b>		<b><u>(49,225,879)</u></b>	<b><u>574,265</u></b>
<b><u>Cash flows from financing activities</u></b>			
Long term loans advanced		(1,167,135)	-
Term loans received / (repaid) (net)		<u>(7,000,000)</u>	<u>(208,067,567)</u>
<b>Net cash from/ (used in) financing activities</b>		<b><u>(8,167,135)</u></b>	<b><u>(208,067,567)</u></b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>6,835,046</b>	<b>(4,188,823)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b><u>7,010,161</u></b>	<b><u>11,198,984</u></b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>13,845,207</u></b>	<b><u>7,010,161</u></b>

*The notes on pages 8 to 24 form an integral part of these financial statements.*

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Harin P. Mehta  
**DIRECTOR**

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****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 is engaged in distribution and marketing of pharmaceutical products to the overseas customers in the designated territories. The establishment has engaged services of marketing executives overseas to distribute and market the products in the designated territories.

**2. Basis of preparation***Going concern*

During the year, the establishment has incurred loss of USD 14,754,425 due to recording of provision for claims/contingencies as stated in note 19 to the financial statements and has accumulated losses of USD 29,034,217 (*previous year USD 14,279,792*) resulting in equity deficit of USD 20,904,673 (*previous year USD 2,028,227*) as of 31 March 2022. The current liabilities exceed current assets by USD 165,551,012. This situation is not in compliance with Sharjah International Airport Free Zone Regulations. Notwithstanding above, these financial statements have been prepared on a going concern basis as the parent company and related parties have agreed to provide continued financial support to the establishment enabling it to meet obligations as and when they fall due. Further, the establishment is expected to restore profitable operating results and make positive cash flows during the ensuing years.

*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 2022**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 amended standards adopted by the establishment*

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 April 2021, 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.

	<b>Effective for annual periods beginning on or after</b>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to phase 2 of interest rate benchmark reforms	1 January 2021
Amendments to IFRS 16 relating to COVID-19 - Related Rent Concessions	1 April 2021

*New standards, amendments and interpretations not yet adopted*

	<b>Effective for annual periods beginning on or after</b>
<ul style="list-style-type: none"> <li>• Amendments to IAS 16 Property, plant and equipment relating to proceeds before intended use.</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>• Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets relating to onerous contracts.</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>• Amendments to IFRS 3 Business Combinations relating to reference to conceptual framework</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>• Annual improvements to IFRS standards 2018 - 2020</li> </ul>	1 January 2022
<ul style="list-style-type: none"> <li>• Amendments to IAS 1 and IFRS Practice Statement 2 relating to Disclosure of Accounting Policies</li> </ul>	1 January 2023
<ul style="list-style-type: none"> <li>• Amendments to IAS 8 relating to Definition of Accounting Estimates</li> </ul>	1 January 2023

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

## Basis of preparation (cont'd)

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

	Effective for annual periods beginning on or after
<ul style="list-style-type: none"> <li>Amendments to IAS 1 Presentation of Financial Statements relating to classification of Liabilities as Current or Non-Current</li> </ul>	1 January 2023
<ul style="list-style-type: none"> <li>Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12</li> </ul>	1 January 2023
<ul style="list-style-type: none"> <li>Amendment to IFRS 17 Insurance contracts</li> </ul>	1 January 2023

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

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the establishment's financial period beginning 1 April 2021 that would be expected to have a material impact on the financial information of the establishment.

## 3. Summary of significant accounting policies

The accounting policies, which are consistent with those used in the previous year, 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.

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.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****Summary of significant accounting policies (cont'd)****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. Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

***a. Financial assets at amortized cost***

Financial assets at amortized cost are those financial assets for which:

- the establishment's business model is to hold them in order to collect contractual cash flows and;
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

The establishment's financial assets at amortized cost comprise long-term loans, trade and other receivables and cash and bank balances.

***Loans receivable***

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans receivable is subsequently measured at amortized cost using the effective interest method, less any impairment.

***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, accrued interest and refundable deposit.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****Summary of significant accounting policies (cont'd)****Financial instruments (cont'd)***Cash and cash equivalents*

Cash and cash equivalents comprise bank balance in current accounts and short-term deposit with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

**b. Financial assets at fair value through OCI***Debt instruments*

The establishment measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to the profit or loss. The establishment classified its investment in bonds as financial assets at fair value through OCI.

*Equity instruments*

Upon initial recognition, the establishment can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IFRS 9 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the establishment benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Impairment losses and any reversal of impairment losses on equity investments measured at fair value through OCI are not reported separately from other changes in fair value. The establishment designated all its equity instruments under financial assets at fair value through OCI classification.

***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.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****Summary of significant accounting policies (cont'd)*****Impairment of financial assets (cont'd)***

- Lifetime ECL, which represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

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.

For quoted debt investment, the establishment applies the low credit risk simplification. At every reporting date, the establishment evaluates whether the debt investment is considered to have low credit risk using all reasonable and support able information that is available. In making that evaluation, the establishment reassesses the internal credit rating of the debt investment.

***Fair value measurement***

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Equity instruments that are not traded in an active market and whose fair value cannot be reliably measured are accounted for at cost less any identified impairment losses at the end of each reporting period. Impairment loss has been recognized in the statement of profit or loss and other comprehensive income for equity investments during the year.

For all other financial assets, the establishment recognizes Lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial assets has not increased significantly since initial recognition, the establishment measures the loss allowance for that financial asset at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of evidence of a financial asset being credit-impaired at the end of the reporting period or an actual default occurring.

***Financial liabilities***

The establishment's financial liabilities comprise long term loans 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.

**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****Summary of significant accounting policies (cont'd)****Staff end of service gratuity**

The establishment provides end of service gratuity to its employees. The entitlement to this benefit is based upon the employees' basic salary and length of service. The expected costs of these benefit are accrued over the period of employment.

**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.

**Revenue recognition**

The establishment has applied IFRS 15 in the preparation of the financial statements. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

*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.



**SUN LABORATORIES FZE****Notes to the Financial Statements  
for the year ended 31 March 2022****Summary of significant accounting policies (cont'd)***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 judgments employed in applying accounting policies and key sources of estimation uncertainty****4.1 Significant judgments employed**

The significant judgements 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.

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, and provision carried in the accounts is adequate.

**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:

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022**Key sources of estimation uncertainty (cont'd)****Useful lives of assets**

The useful lives of the establishment's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of establishment's intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to technical or commercial obsolescence and legal or other limits on the use of the establishment's assets.

In addition, the estimation of the useful lives is based on the establishment's collective assessment of industry practice, internal technical evaluation and experience with similar assets.

**Impairment of loans and receivables**

Management regularly undertakes a review of the amounts of loans and receivables owed to the establishment and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debt, historic recovery rates and assessed credit worthiness of the receivable.

**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.

**Staff end of service gratuity**

The establishment computes provision for the liability to staff end of service gratuity assuming that all employees were to leave as of the reporting date.

	<i>Contractual rights * USD</i>
<b>5. Intangible asset</b>	
<b>Cost / valuation</b>	
As at 01.04.2021	<u>291,837,736</u>
As at 31.03.2022	<u>291,837,736</u>
<b>Accumulated amortization</b>	
As at 01.04.2021	122,751,995
Charge for the year^	<u>71,217,014</u>
As at 31.03.2022	<u>193,969,009</u>
<b>Net book value</b>	
As at 31.03.2022	<u>97,868,727</u>
As at 31.03.2021	<u>169,085,741</u>

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

## Intangible asset (cont'd)

\*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 in March 2019, at a valuation made by an independent valuer.

^ Charged to cost of sales.

	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
<b>6. Financial assets at fair value through OCI</b>		
<b>Equity instruments</b>		
<i>Quoted shares</i>		
Amneal Pharmaceuticals Inc., United States of America # (2,868,623 ordinary shares)	11,962,158	-
<i>Unquoted shares</i>		
Ranbaxy (Thailand) Co. Ltd, Thailand (3 ordinary shares of Baht 100 each)	10	-
<b>Debt instruments</b>		
<i>Investment in bonds: *</i>		
ONGC Videsh – 4.625% Regd. Notes maturing 15 July 2024	16,339,200	-
NTPC - 4.375% Regd. Euro Medium- Term Notes maturing 26 November 2024	10,165,500	-
State Bank of India – 4.875% Regd. Notes maturing 17 April 2024	7,195,300	-
	<u><b>45,662,168</b></u>	<u><b>-</b></u>
# A reconciliation of the carrying amount of investment in Amneal Pharmaceuticals Inc is set out below:		
	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
As at 1 April	-	-
Purchased from a related party	13,855,449	-
Changes in fair value	<u>(1,893,291)</u>	<u>-</u>
As at 31 March	<u><b>11,962,158</b></u>	<u><b>-</b></u>
* Investment in bonds acquired during the year from a fellow subsidiary are pending title transfer formalities to the establishment, which are encumbered for a credit facility. The reconciliation of the carrying amount is set out below:		
	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
As at 1 April	-	-
Purchased from a fellow subsidiary	35,928,730	-
Changes in fair value	<u>(2,228,730)</u>	<u>-</u>
As at 31 March	<u><b>33,700,000</b></u>	<u><b>-</b></u>

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

## 7. Long term loans

This represents non-interest bearing and unsecured loans novated from a fellow subsidiary and are considered long term by the management.

	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
<b>8. Trade receivables</b>		
Trade receivables	34,545,623	51,480,551
Less: provision for doubtful debts	<u>506,256</u>	<u>506,256</u>
	<b><u>34,039,367</u></b>	<b><u>50,974,295</u></b>

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

Although trade receivables of USD 2,134,112 (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:

	<i>Total</i> <i>USD</i>	<i>0-30</i> <i>Days</i> <i>USD</i>	<i>31-90</i> <i>Days</i> <i>USD</i>	<i>91-180</i> <i>Days</i> <i>USD</i>	<i>181-365</i> <i>Days</i> <i>USD</i>	<i>&gt; 365 Days</i> <i>USD</i>
<b>2022</b>	34,545,623	29,786,512	1,422,777	942,449	1,531,846	862,039
<b>2021</b>	51,480,551	11,955,009	30,886,164	6,733,845	1,005,815	899,718

	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
<b>9. Advances, deposits and other receivables</b>		
Marketing authorization income receivable – ultimate parent company	248,135	248,135
Advances to staff and others	29,264	-
Deposits	12,199	2,321
VAT recoverable	36,567	30,999
Accrued interest income	<u>464,451</u>	<u>4,556</u>
	<b><u>790,616</u></b>	<b><u>286,011</u></b>

## 10. Cash and bank balances

Bank balance in current accounts ^	13,266,284	6,435,896
Term deposit	<u>578,923</u>	<u>574,265</u>
	<b><u>13,845,207</u></b>	<b><u>7,010,161</u></b>

^ This includes balance of USD 588,750 in the name of a fellow subsidiary held in trust on behalf of the establishment.

	<u>2022</u> <u>USD</u>	<u>2021</u> <u>USD</u>
<b>11. Share capital</b>		
<b>Authorised, issued and paid-up:</b>		
300 shares of AED 150,000 each (converted @ 3.673)	<b><u>12,251,565</u></b>	<b><u>12,251,565</u></b>

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

## 12. Long-term loan

This represented unsecured and non-interest-bearing long-term loan from a fellow subsidiary without any fixed repayment schedule. The loan has been repaid during the year.

## 13. Term loan

This represents unsecured and interest-bearing term loan from a fellow subsidiary repayable in 1 year from date of drawdown.

	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>14. Trade payables</b>		
Related parties	94,549,440	129,014,226
Non-related parties	<u>2,974,366</u>	<u>2,742,021</u>
	<b><u>97,523,806</u></b>	<b><u>131,756,247</u></b>

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

	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>15. Other payables, provisions, and accruals</b>		
Advance / credit balances of customers *	4,190,329	19,436
Provisions	23,168,134	1,608,804
Accrual	<u>7,248</u>	<u>12,247</u>
	<b><u>27,365,711</u></b>	<b><u>1,640,487</u></b>

*\*Includes USD 4,180,493 (previous year USD Nil) credit balance of a fellow subsidiary.*

## 16. Sales

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

## 17. Cost of sales

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

	<i>2022</i> <i>USD</i>	<i>2021</i> <i>USD</i>
<b>18. Other income</b>		
Interest income from debt instruments (bonds)	1,020,937	-
Interest income from bank	963	4,934
Interest income – others	<u>-</u>	<u>867</u>
	<b><u>1,021,900</u></b>	<b><u>5,801</u></b>

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

	<b>2022</b>	<b>2021</b>
	<b>USD</b>	<b>USD</b>
<b>19. Selling, promotional and other expenses</b>		
Commission on sales	882,128	1,025,777
Business promotion expenses	355,595	1,052,738
Consultancy charges	1,229,935	987,131
Professional fees	10,633	13,808
Lease and license fee	13,195	8,814
Insurance expenses	5,648	16,250
Other miscellaneous expenses*	<u>21,134,623</u>	<u>217,654</u>
	<b><u>23,631,757</u></b>	<b><u>3,322,172</u></b>

\*Other miscellaneous expenses include provision towards claims/contingencies payable.

**20. 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 follows:

**Ultimate parent company**

- Sun Pharmaceutical Industries Ltd., India

**Parent company**

- Sun Pharma Holdings, Mauritius

**Fellow subsidiaries**

- Sun Pharma Global FZE, U.A.E.
- Sun Pharmaceutical Industries Inc, USA
- Sun Pharma (Netherlands) B.V., Netherlands
- Sun Pharma East Africa Ltd., Kenya

**Key management personnel (KMP)**

- Mr. Harin Parmanand Mehta

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

	<i>Figures in ('000)</i>			
	<i>Ultimate parent company</i>	<i>Fellow subsidiaries</i>	<i>Total 2022</i>	<i>Total 2021</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Purchases	152,913	-	152,913	200,285
Sales	-	(146,635)	(146,635)	(224,392)
Purchase of financial assets at fair value through OCI	-	49,784	49,784	-

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

## Related party transactions and balances (cont'd)

	<i>Figures in ('000)</i>			
	<i>Ultimate parent company USD</i>	<i>Fellow subsidiaries USD</i>	<i>Total 2022 USD</i>	<i>Total 2021 USD</i>
Long term loans taken over	-	1,167	1,167	-
Promotion and marketing exp.	118	-	118	318
Service charges	-	41	41	82
Interest expense	-	381	381	-

Transactions between the establishment and its related parties are made on terms equivalent to those that prevail in arm's length transactions. The KMP of the establishment rendered the services without any consideration charged to the establishment. The year-end related parties' balances are as follows:

	<i>2022 USD Dr./ (Cr.)</i>	<i>2021 USD Dr./ (Cr.)</i>
<b>Trade receivables:</b>		
Fellow subsidiaries	-	14,704,632
<b>Marketing authorization income receivable</b>		
Ultimate parent company	248,135	248,135
<b>Long-term loan</b>		
Fellow subsidiary	-	(96,000,000)
<b>Term loan</b>		
Fellow subsidiary	(89,380,592)	-
<b>Trade payables</b>		
Ultimate parent company	(94,549,440)	(129,014,226)
<b>Advance / credit balance of customers</b>		
Fellow subsidiaries	(4,180,493)	-

## 21. Capital risk 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 capital structure of the establishment comprises net debt (comprising interest bearing borrowings and trade and other payables offset by cash and bank balances) and equity (comprising share capital and accumulated losses).

## 22. 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.

## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022**Financial instruments: Credit, liquidity and market risk exposures (cont'd)****Credit risk (cont'd)**

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 seven (*previous year six*) customers based overseas which includes 66% (*previous year 70%*) from a related party. At 31 March 2022, the establishment had significant concentration of credit risk with 5 overseas customers accounting for 96% (*previous year 89%*) of the trade receivables. Management believes that this concentration of credit risk is mitigated as these customers have long standing relationships with related parties.

The establishment also seeks to limit its credit risk with respect to customers by 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 at fixed rate of interest (*previous year interest free*). 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:

	<b>2022</b> <i>Equivalent</i> <u>USD</u>	<b>2021</b> <i>Equivalent</i> <u>USD</u>
<b>Foreign currency financial assets:</b>		
<b>Trade receivables</b>		
Euro (EUR)	7,395,776	5,508,811



## SUN LABORATORIES FZE

Notes to the Financial Statements  
for the year ended 31 March 2022

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

## Currency risk (cont'd)

	<i>2022</i> <i>Equivalent</i> <i>USD</i>	<i>2021</i> <i>Equivalent</i> <i>USD</i>
<b>Bank balance</b>		
Euro (EUR)	3,542,698	3,115,630
<b>Foreign currency financial liability:</b>		
<b>Trade payables</b>		
Euro (EUR)	3,403,782	3,437,593

## 23. 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.

## 24. Contingent liabilities and capital commitments

There were no contingent liabilities and capital commitments outstanding at the date of statement of financial position.

## 25. 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.

## 26. 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.

**SUN LABORATORIES FZE**

**Notes to the Financial Statements**  
*for the year ended 31 March 2022*

**Other matter (cont'd)**

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.

**27. Approval of the financial statements**

The financial statements were approved by the board of directors on 20 May 2022 and authorized Mr. Harin P. Mehta to sign on behalf of the Board.

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Harin P. Mehta  
**DIRECTOR**