"Ranbaxy Pharmaceuticals Ukraine" LLC

Financial Statements

For the year ended 31 December 2018

& Independent Auditor`s Report

CONTENTS

LLC "RANBAXY PHARMACEUTICALS UKRAINE"
DIRECTORS' REPORT
For the year ended 31 December 2018

The director have pleasure in presenting the report for the year ended 31 December 2018.

Review of business and operations

Main business and operations

The company is established on 13.06.2012 and engaged in import and trade of pharmaceutical products.

The operating results and state of affairs of the company are fully set out in financial Statements for 2018.

Financial result for the year 2018 is a net profit in amount of UAH 35 340 thousands (2017: net profit UAH 12 715 thousands).

Events after reporting date

The directors are not aware of any matter or circumstance arising since the end of the financial year.

Authorised and issued share capital

Authorized share capital as per the Charter is UAH 39 950 thousand. There were no changes in the authorised share capital of the company during the year 2018.

Dividends

No dividends were declared or paid to the shareholders during the year.

Directors

The director of the company during the year and to the date of this report is following:

Name	Nationality
Alok Batra	India

Secretary

The company had no secretary during the year.

Holding company

The holding companies are Sun Pharma (Netherlands) BV 99% and Ranbaxy Holdings (UK) Limited 1%.

Auditor in 2018

“HLB Ukraine” LLC

Business address Postal address Registered office

175, Kharkivske shosse,

Kyiv, Ukraine

02121

Financial statements for the year 2018 were approved on 26 February 2019 on behalf of the Company's management:

____

Alok Batra, Director

Ref. No. 43-3/13.03.2019/1335 K.3.
as of 13.03.2019

INDEPENDENT AUDITOR'S REPORT

To the Owners and Management
the Limited Liability Company "Ranbaxy Pharmaceuticals Ukraine"

Opinion

We have audited financial statements of the "Ranbaxy Pharmaceuticals Ukraine" LLC (further – the Company), which comprise the Statement of Financial Position as at 31.12.2018, Statement of Comprehensive Income, Statement of cash flows, and Statement of Changes in Equity for the year then ended, and Notes to the annual financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Ukraine, and we have fulfilled our other 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 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 the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company'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 the ISAs will always detect a material misstatement when it exists. Misstatements can arise form 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 of the basis of these financial statements.

Україна, Київ 01011, вул. Гусовського 11/11, оф. 3
Тел.: +38 044 222 6010, Моб.: +38 067 465 59 96, +38 067 466 1777, +38 067 401 55 67, E-mail: office@hlb.com.ua

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. 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, misinterpretations, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Kateryna Zolina.

General director Halyna Nepliuieva

Engagement partner Kateryna Zolina

HLB UKRAINE LLC
11/11 Gusovskogo Street, office 3, Kyiv, Ukraine

March 13, 2019

LLC "RANBAXY PHARMACEUTICALS UKRAINE"
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
(in UAH thousand, unless otherwise stated)

	Notes	2018	2017
Revenue from sales	17	353 554	298 479
Cost of sales		(166 015)	(165 625)
Gross profit		**187 539**	**132 854**
Administrative expenses	18	(24 704)	(26 368)
Distribution costs	19	(118 278)	(106 193)
Other operative income	20	106	19 848
Other operative expenses	21	(3 542)	(5 040)
Finance income	13	1 996	414
Profit/(loss) before tax		**43 117**	**15 515**
Income tax expense	10	(7 777)	(2 800)
Profit/(loss) for the year		**35 340**	**12 715**
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year, net of tax		**35 340**	**12 715**

Alok Batra
Director

Irina Lipskaya
Chief Accountant

Notes on pages 10-25 form an integral part of these financial statements

LLC "RANBAXY PHARMACEUTICALS UKRAINE"
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
(in UAH thousand, unless otherwise stated)

	Notes	2018	2017
Assets			
Non-current assets			
Intangible assets	9	374	488
Property and equipment	8	1 466	769
Long-term receivables		1 329	-
Deferred tax assets	10	2 332	1 885
		5 501	**3 142**
Current assets			
Inventories	11	72 282	41 544
Trade and other receivables	12	30 689	29 673
Cash and short-term deposits	13	23 727	10 622
		126 698	**81 839**
Total assets		**132 199**	**84 981**
Equity and liabilities			
Equity			
Authorized capital	14	39 950	39 950
Retained earnings		50 725	15 385
Total equity		**90 675**	**55 335**
Current liabilities			
Trade and other payables	15	21 167	12 317
Provision of current costs	16	18 978	16 016
Current liabilities on tax on profit	17	1 379	1 313
		41 524	**29 646**
Total liabilities		**41 524**	**29 646**
Total equity and liabilities		**132 199**	**84 981**

Alok Batra
Director

Irina Lipskaya
Chief Accountant
Finance

Notes on pages 10-25 form an integral part of these financial statements

LLC "RANBAXY PHARMACEUTICALS UKRAINE"
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018
(in UAH thousand, unless otherwise stated)

	Authorized capital	Retained earnings	Total
As at 31 December 2016	**39 950**	**2 670**	**42 620**
Profit for the year	-	12 715	12 715
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**12 715**	**12 715**
As at 31 December 2017	**39 950**	**15 385**	**55 335**
Profit for the year	-	35 340	35 340
Other comprehensive income	-	-	-
Total comprehensive income	**-**	**35 340**	**35 340**
As at 31 December 2018	**39 950**	**50 725**	**90 675**

Alok Batra
Director

Irina Lipskaya
Chief Accountant
Finance

Notes on pages 10-25 form an integral part of these financial statements

LLC "RANBAXY PHARMACEUTICALS UKRAINE"
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018
(in UAH thousand, unless otherwise stated)

	Notes	2018	2017
Cash flows from operating activities			
Profit/(loss) before tax		43 117	15 515
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	8	540	399
Amortisation of intangible assets	9	155	146
Write-off payables	20	-	(19 714)
Other (income)/expenses		-	37
Net foreign exchange differences	21	740	2 973
Working capital adjustments:			
(Increase)/Decrease in inventories		(30 738)	34 272
(Increase)/Decrease in trade and other receivables		(2 345)	(16 498)
Increase in trade and other payables		8 114	(17 574)
Increase in provision of current costs		2 962	354
Income tax (paid)/refund		(8 159)	(1 402)
Net cash flows from/(used) in operating activities		**14 386**	**(1 492)**
Cash flows from investing activities			
Purchase of property and equipment	8	(1 240)	(128)
Purchase of intangible assets	9	(41)	(87)
Net cash flows used in in investing activities		**(1 281)**	**(215)**
Cash flows from financing activities			
Net cash flows from/(used) in financing activities		**-**	**-**
Net increase/(decrease) in cash and short-term deposits		(13 105)	(1 707)
Cash and short-term deposits at 1 January	13	10 622	12 329
Cash and short-term deposits at 31 December	13	**23 727**	**10 622**

Alok Batra
Director

Irina Lipskaya
Chief Accountant
Finance

Notes on pages 10-25 form an integral part of these financial statements

1. Background

Limited Liability Company "Ranbaxy Pharmaceuticals Ukraine" (hereinafter referred to as “the Company”) specializes in wholesale of pharmaceutical goods on the territory of Ukraine.

Limited Liability Company "Ranbaxy Pharmaceuticals Ukraine" registered 13 June 2012 under the current legislation of Ukraine.

The controlling party of the Company is Sun Pharmaceutical Industries Limited (hereinafter the “Parent Company"), registered in India and listed on the Bombay Stock Exchange and on the National Stock Exchange of India. No private individual has control over the Company and its Parent Company.

The legal address of the Company: Ukraine, 02121, Kyiv, Kharkivske shosse, 175.

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting date and reporting period

The date of the annual financial statements for 2018 is 31 December 2018. Previous reporting period lasted from 1 January 2017 to 31 December 2017.

Functional currency and reporting unit of measurement

The financial statements are presented in UAH, which is also the Company's functional currency. All financial information presented in Ukrainian hryvnias, rounded to the nearest thousand, unless otherwise indicated.

Going Concern

The financial statements have been prepared on a going concern basis, which envisages the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

3. Operating environment, risks, and economic conditions

Political crisis – starting from January 2014, Ukraine has been in a political and economic turmoil. Crimea, an autonomous republic of Ukraine, was effectively annexed by the Russian Federation. Ukraine had also suffered from the separatist movements and the collapse of law enforcement in Luhansk and Donetsk regions.

The Ukrainian Hryvnia (“UAH”) has devalued against major foreign currencies. The National Bank of Ukraine introduced a range of stabilisation measures aimed at limiting outflow of customer deposits from the banking system, improving liquidity of banks and stabilisation of the exchange rate of UAH against major foreign currencies.

Significant external financing is required to support the economy. Stabilisation of the economic and political situation depends, to a large extent, upon success of the Ukrainian government’s efforts, yet further economic and political developments are currently difficult to predict.

Whilst management believes it is taking appropriate measures to support the sustainability of the Company’s business in the current circumstances, however, continued and unexpected further deterioration in the areas described above could negatively affect the Company’s results and financial position in a manner not currently determinable as of now.

It is also necessary to consider a series of factors which may affect Ukraine’s economy in the year 2019, such as the Presidential and Parliamentary elections and the need to repay the government debt to the IMF.

4. Summary of significant accounting policies

Property and equipment

Property and equipment are recognized in the statement of financial position of the Company at historical cost less accumulated depreciation and impairment losses. Cost of property and equipment includes purchase price and any direct attributable costs. For constructed facilities - the cost includes all costs directly related to the construction of the building (materials, wages, depreciation of equipment involved in construction and so on).

Repairs and maintenance expenditures relating to the composition of the period in which such expenses are incurred.

The costs of reconstruction and modernization are capitalized.

Gains (losses) on disposals of property and equipment recorded in profit or loss as they actually incurred.

Capital investments include equipment to establish and advances issued for the purchase of fixed assets are not subject to amortization.

The cost of property and equipment is charged through depreciation over the useful life of the asset. For all of fixed assets, depreciation is calculated using straight-line method.

Company's facilities and equipment are divided as follows:

- Office equipment, furniture and fixtures;
- Vehicles;
- Other fixed assets.

For each item of property established its expected useful life. In some cases, the expected useful life may be shorter than the period of the economic life of an asset because of the nature of asset. Estimation of useful life of the asset is carried out using professional judgment based on experience with similar assets of the Company. The expected useful life on a regular basis (usually annually) inspected and, if necessary, revised.

Depreciation is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives, as follows:

Group assets	Period (years)
Office equipment, furniture and fixtures	2-10
Vehicles	5
Other fixed assets	2-5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end in accordance with IAS 8 (IAS 8) "Accounting Policies, Changes in Accounting Estimates and mistakes" Such estimates can have a significant impact on the carrying value of property and equipment and the depreciation during the period.

Intangible assets

Intangible assets are recorded at historical cost less accumulated depreciation and accumulated amounts of possible impairment.

Self-created intangible assets are recognized only when they are created under development (in the sense of IAS 38 "Intangible Assets") and the Company can demonstrate the following:

- The technical feasibility of completion of intangible asset so that it can be used or sold;
- The intention to complete the creation of an intangible asset and use or sell it;
- Is able to use the intangible asset;
- The way in which the intangible asset will generate probable future economic benefits;
- Availability of adequate technical, financial and other resources to complete development, use of the asset.
- The ability to estimate reliably the costs attributable to the intangible asset during its development.

Depreciation is calculated on a straight-line basis over the useful life of the asset. Estimated useful lives of intangible assets is from 2 to 5 years. Intangible assets are tested for impairment at the end of each reporting period. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. During the reporting period the Company's intangible assets were primary presented by computer software and copyright.

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost of sales includes only the carrying amount of inventories that were used in the reporting period. The cost is determined based on FIFO method.

4. Summary of significant accounting policies (continued)

Financial instruments

Recognition of financial instruments

Financial assets and financial liabilities of the Company include cash and cash equivalents, accounts receivable and accounts payable, other liabilities and loans.

During the reporting period, Company did not use any financial derivatives, interest rate swaps and forward contracts to reduce the foreign currency or interest rate risks.

The Company recognizes financial assets and financial liabilities in its statement of financial position if they are part of the contractual obligations for financial instruments. Financial assets and liabilities are recognized on the transaction date.

The Company classifies financial assets after initial recognition and, if allowed or appropriate, revises the classification at the end of each financial year.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition loans and receivables carried at amortized cost using the effective interest method, less provision for expected credit loss. Amortized cost is calculated taking into account discounts or premiums arising on acquisition and includes fees that are an integral part of the effective interest rate and the cost of the transaction. Gains or losses arising from the termination of the asset are in the financial statements, the depreciation and amortization charge recognized in the income statement for the period.

On initial recognition of the loan issued at fair value issued by funds, which are determined using market interest rates for similar instruments if they differ significantly from the interest rate on loans. The loans are measured at amortized cost using the effective interest method. The difference between the fair value of issued capital and the amount of the loan is recognized as interest receivable over the term of the loans. Amortized cost is calculated by taking into account any costs associated with the transaction, and any discount or premium at maturity.

Loans maturing more than twelve months from the date of statement of financial position are included in non-current assets.

Receivables displayed with regard to value added tax (VAT) and initially counted the cost, which will have to pay the debtor. Trade and other receivables are adjusted for the amount of the allowance for impairment. Provision for doubtful debts is created when there is objective evidence that the Company will not be able to collect all debts with regard to initial conditions. If the receivables is uncollectible, it is written off against the allowance for doubtful receivables. Payment of amounts previously written off is recognized as revenue in the period.

Fair value

The fair values of financial assets and liabilities are estimated using available market information and appropriate valuation techniques. However, to interpret market data to estimate the fair value of the required qualified opinion. Accordingly, the assessment does not necessarily indicate the amount that can be implemented in existing markets. The use of different market assumptions and / or estimation methods could have a significant impact on the estimated fair value.

Fair values of financial assets and liabilities are estimated using a discounted cash flow and other appropriate valuation techniques by the end of the year; it does not indicate the fair value of these instruments at the date of these financial statements. These estimates do not reflect any premium or discount that could result from the simultaneous sale offers a complete package of specific financial instruments of the Company. Fair value estimates are based on judgments regarding anticipated future cash flows, current economic conditions, risks inherent in various financial instruments and other factors.

Fair value is based on existing financial instruments without attempting to estimate the expected value of the futures transaction and the value of assets and liabilities that are not considered financial instruments.

4. Summary of significant accounting policies (continued)

Provision for impairment of trade and other receivables

The Company can create the provision for impairment of trade and other receivables based on the evaluation of the Company debt recovery capabilities with specific customers. If a decrease in the creditworthiness of any key customer, or actual losses from default by debtors exceed evaluation of the Company, actual results may differ from these estimates.

If the Company determines that there is no objective confirmation of specific impairment of receivables, regardless of the amount of such receivables included in the category of receivables with similar credit risk characteristics. The aggregate debt of the following categories, in turn, is tested for impairment.

Credit risk characteristics, according to which there is a grouping of receivables related to the estimation of future cash flows generated by such indebtedness in turn depend on the ability of the debtor to repay according to the agreed conditions.

Future cash flows on a group of debtors that are assessed collectively for impairment are determined with contractual cash flows, current economic conditions in general terms the emergence of receivables, the experience of the Company to write-off these debts in the past, the creditworthiness of customers, changes in payment terms and contracts other circumstances which, in the opinion of the Company, may affect the future cash flows from such liability.

Changes in the economy, sectoral specifics or the financial situation of individual clients may result in adjustments to the value of provision for impairment of trade and other receivables recognized in the financial statements.

Cash and cash equivalents

The structure of funds includes cash in bank accounts and cash on hand. Cash equivalents also include short-term investments that can be readily converted into cash, with a maturity of three months from the date of acquisition, the cost of which is subject to minor fluctuations.

Value added tax

VAT amounts paid by the Company in the acquisition of goods and services using a tax rate of 7 percent and 20 percent rate, it included the tax credit in general terms.

Revenue, expenses and assets are recognised net of the amount of value added tax (“VAT”), except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case VAT is recognised as a part of the cost of acquisition of the asset or as a part of the expense item, as applicable; and
- When accounts receivable and accounts payable are stated including the amount of VAT.

Equity

Equity of the Company includes the following elements: capital, unpaid capital and retained earnings.

The authorized capital is the share capital recorded in the charter and registered in the Unified State Register of Enterprises and Organizations of net outstanding amount at the end of the reporting period. Total income includes: accrued income (loss) of current and prior periods and accumulated other comprehensive income.

Financial liabilities

Financial liabilities are divided into 2 categories:

- Financial liabilities accounted for at fair value through profit or loss;
- Financial liabilities carried at amortized cost.

Financial liabilities are revalued through profit or loss

Upon initial recognition, financial liabilities may be classified as fair value through profit or loss if the following criteria are met:

(i) classification in this category eliminates or significantly reduces inconsistencies in treatment that otherwise would arise when assessing the liabilities or recognizing gains or losses on them;

(ii) the liabilities are part of a group of financial liabilities managed and their performance against which they are assessed fair values in accordance with the risk management policy;

(iii) the financial liability contains an embedded derivative that must be separately reflected in the financial statements.

As at the balance sheet date, the Company had no financial obligations that could be classified as fair value through profit or loss.

4. Summary of significant accounting policies (continued)

Accounts Payable

Payables initially determined and displayed according to the policy regarding financial instruments. Later fixed maturity is measured at amortized cost using the effective interest rate. Amortized cost is calculated by taking into account any costs associated with the transaction, and any discount or premium at maturity.

Liabilities for dividends

The obligation to pay dividends recognized as liabilities in the period in which the dividends are approved by shareholders.

Leases

Lease, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item is to be classified as a finance lease. Other leases are classified as operating leases.

The cost of operating lease is charged evenly over the lease object.

Assets obtained under finance leases are recognized and recorded as fixed assets at lower of: the fair value of the acquisition-date or present discounted value of the minimum lease payments.

Income tax

Income tax expense represents the sum of current income and deferred taxes.

Current income tax is based on taxable profit for the year. The Company's current income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Total current tax payable is calculated by the Company on profit before tax, determined by the laws of Ukraine using the tax rate in effect at the balance sheet date and includes adjustments to tax liabilities for previous years.

Deferred tax

Deferred tax is provided using the balance sheet method on amount of temporary differences between the carrying amounts of assets and liabilities used for financial reporting and their value used for tax purposes. The value of deferred tax is determined by the expected manner of realization of assets or the payment of liabilities using tax rates enacted or announced at the balance sheet date. Deferred tax assets and liabilities are offset for financial reporting purposes because they relate to income taxes imposed by the same taxation authority.

Deferred tax assets and liabilities are reviewed at each reporting date and reduced if it is clear that there will be obtained an appropriate profit before tax. Assessment of probability includes judgments based on the expected results of operations. To assess the likelihood of realization of deferred tax assets (liabilities) in the future, various factors including operating results of previous years, the operational plan, expiration of tax loss compensation and tax planning strategies. If actual results differ from estimated or these estimates should be revised in future periods, it can have a negative impact on the financial position, results of operations and cash flows. If the value of the recognition of deferred tax assets in the future should be reduced, this reduction will be recognized in the income statement.

A deferred tax asset is recognized only in amount not exceeding the expected future tax rate on profit before tax, due to which the asset will be realized. The amount of the deferred tax asset is reduced when receiving all the benefits of its implementation is unlikely.

Reserves and allowances

Provisions are recognized when the Company, as a result of a past event, has a legal or constructive obligation for the settlement of which is likely to need an outflow of resources bearing in future economic benefits and which can be estimated with a high degree of reliability.

Revenue Recognition

Revenue is recorded at fair value of the consideration received or receivable expected.

Proceeds from the sale - is the value of output set by customers during the period. Management believes that the assumptions used and judgments underlying the data are reasonable. However, changes in these assumptions may affect the amount recognized in the statements of income.

4. Summary of significant accounting policies (continued)

Proceeds from sale of tangible assets is shown in the income statement when the significant risks and rewards of ownership of those assets transferred to the buyer, the amount of revenue can be reliably measured, and the likely flow to the enterprise economic benefits associated with the transaction and the costs incurred or to be incurred in the future on this transaction can be reliably determined. The date of the recognition of revenue on such transactions is the date of shipment to buyers of tangible assets, unless otherwise indicated in most contracts.

Revenues for service contracts displayed on the stage of completion of the contract.

Interest income is recognized in the income statement on an accrual basis based on the principal amount and the effective interest rate that discounts estimated future cash inflows over the life of the financial asset to the residual value of the asset.

5. Changes in accounting policies and disclosures

New and amended standards and interpretations, amendments to existing standards

IFRS 15

Starting from 01.01.2018, IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, and the relevant clarifications, and is applied to all items of income, which appears in connection with contracts with buyers, except for cases when contracts belong to the sphere of application of other standards. For accounting of income appearing in connection with contracts with buyers, the new standard stipulates a five-stage model. Under IFRS 15, revenue shall be recognized in the amount reflecting reimbursement, the right for which an entity expects to receive in exchange for provision of goods or services to the buyer. The standard requires that entities apply judgments and consider all relevant facts and circumstances, when applying each stage of the model to contracts with buyers. The standard also contains requirements to accounting of additional expenses for entering contracts and expenses directly related to contract fulfillment.

IFRS 9

Main requirements of IFRS 9:

- *Classification and evaluation of financial assets.*
  At primary recognition, financial assets are classified as those further evaluated at amortized value, at fair value through other comprehensive income, and at fair value through profits and losses.

- *Classification and evaluation of financial liabilities.*
  Financial liabilities are classified at primary recognition respectively as financial liabilities evaluated at fair value through profit or loss, loans and borrowings, accounts payable. All financial liabilities are primarily recognized at fair value, less (in case of loans, borrowings, and accounts payable) expenses on an agreement, directly related to their issuing or acquisition.
  The Company's financial liabilities include trade and other accounts payable, loans and borrowings.

- *Impairment of financial assets*
  IFRS 9 requires in determining financial assets impairment to apply the expected credit losses model instead of the model of costs incurred, stipulated by IAS 39. The expected credit losses model requires incorporation of the foreseeable credit losses and their changes at each reporting date, to reflect changes in the credit risk level from the date of recognition of financial assets. In other words, now there is no need to wait for events confirming high credit risk, in order to recognize impairment.

The adoption of new or revised standards did not have any effect on the financial position or performance of the Company and any disclosures in the Company's financial statements.

6. New standards and interpretations issued but not yet effective

Standards that were published but not yet effective at the date of issue of the Company's financial statements in accordance with IFRS are described below. This is the list of published standards and interpretations that the Company intends to apply in the future. The Company plans to adopt these standards upon entry into force

IFRS 16 Leases

IFRS 16 replaces regulations on lease, including IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 implements a uniform model of lease contracts accounting by lessees, which envisages recording them on the lessee's balance sheet. Under this model, the lessee has to recognize an asset in the form of the right for use comprising the right to use a basic asset, and lease liabilities comprising the obligation to make lease payments. Non-mandatory simplifications are envisaged regarding short-term lease and lease of low-value items. The rules for lessors mostly remain the same – lessors continue to classify lease into financial and operating.

The Company started primary evaluation of the possible impact of IFRS 16 application onto its financial statements. The impact of IFRS 16 is expected to be material.

The following new or amended standards are not expected to have a significant impact on the Company's financial statements.

- **Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (The amendments consider the contradiction between IFRS 10 and IAS 28 in terms of accounting of loss of control over a subsidiary entity being sold to an associate or joint venture or contributed to them).

- **Amendments to IAS 28 Long-term interests in Associates and Joint Ventures** (The amendments clarify that an entity shall apply IFRS 9 Financial Instruments to long-term investments into associates or joint ventures, to which the method of evaluation of participation in equity is not applied, which is in its essence a part of clean investment into an associate or joint venture (long-term investments).

- **Amendments to IFRS 9 Financial Instruments** (Under IFRS 9, a debt instrument may be evaluated at amortized cost or at fair value, with recognition via other comprehensive income, provided that contractual cashflows are "solely payments of principal and interest" (SPPI criterion) and the instrument is maintained within the framework of the relevant business model for this classification).

- **IAS 12 Income Taxes** (The amendments clarify that tax consequences of income in the form of dividends are more directly related to past transactions or events which caused profit distribution, than to payments to owners. Thus, an entity recognizes the tax consequences of income in the form of dividends within profit or loss, other comprehensive income, or equity, in accordance with how the entity first recognized such past transactions and events).

7. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions 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 described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Operating lease commitments

The Company has entered into leases over properties and motor vehicles. As management has determined that the Company has not obtained substantially all the risks and rewards of ownership of the properties and motor vehicles, the leases have been classified as operating leases and accounted for accordingly.

The Useful lives of fixed assets and intangible assets

Depreciation or amortization on fixed and intangible assets, accrued over the term of their useful lives. The useful life of an asset is an estimate of how long the asset will be used.

Useful lives of depreciation of property and equipment are reviewed at end of each financial year and adjusted prospectively, if appropriate. As for durable assets, changes in estimates could lead to significant changes in book value.

Impairment of trade and other receivables

The provision policy for impairment of trade and other receivables of the Company is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Deferred tax assets and liabilities

The factors used to assess the likelihood of realization deferred tax assets (liabilities) in the future include operating results of previous years, the operational plan, expiration of tax loss compensation and tax planning strategies. If actual results differ from estimated results or if the Company adjusts these assumptions, it may have a negative impact on the financial position, results of operations and cash flows. If the value of the recognition of deferred tax assets in the future should be reduced, this reduction will be recognized in the statement of comprehensive income.

The Company recognised deferred tax assets in as at 31 December 2018 for Provision for VAT tax credit loss in amount UAH 1 380 thousands and for other provisions in amount of UAH 952 thousands that it is expected to be used to reduce the taxable profit (as at 31 December 2017: UAH 1 380 thousands and UAH 505 thousands accordingly).

(in UAH thousand, unless otherwise stated)

8. Property and equipment

	Office equipment, furniture and fixtures	Vehicles	Other	Total
Historical cost				
As at 31 December 2016	**1 806**	**170**	**54**	**2 030**
Additions	125	-	3	128
Disposals	(34)	(52)	-	(86)
As at 31 December 2017	**1 897**	**118**	**57**	**2 072**
Additions	1 223	-	17	1 240
Disposals	(23)	-	(1)	(24)
As at 31 December 2018	**3 097**	**118**	**73**	**3 288**
Depreciation				
As at 31 December 2016	**(864)**	**(32)**	**(54)**	**(950)**
Depreciation charge for the year	(367)	(30)	(3)	(400)
Disposals	19	27	-	46
As at 31 December 2017	**(1 212)**	**(35)**	**(57)**	**(1 304)**
Depreciation charge for the year	(501)	(24)	(17)	(542)
Disposals	23	-	1	24
As at 31 December 2018	**(1 690)**	**(59)**	**(73)**	**(1 822)**
Net book value				
As at 31 December 2018	**1 407**	**59**	**-**	**1 466**
As at 31 December 2017	**685**	**84**	**-**	**769**
As at 31 December 2016	**942**	**138**	**-**	**1 080**

9. Intangible assets

	Patent and trademark	Computer software	Total
Cost			
As at 31 December 2016	**387**	**406**	**793**
Additions	72	15	294
As at 31 December 2017	**459**	**421**	**880**
Additions	8	33	41
As at 31 December 2018	**467**	**454**	**921**
Amortisation			
As at 31 December 2016	**(84)**	**(162)**	**(246)**
Amortisation charge for the year	(52)	(94)	(146)
As at 31 December 2017	**(136)**	**(256)**	**(392)**
Amortisation charge for the year	(69)	(86)	(155)
As at 31 December 2018	**(205)**	**(342)**	**(547)**
Net book value			
As at 31 December 2018	**262**	**112**	**374**
As at 31 December 2017	**323**	**165**	**488**
As at 31 December 2016	**303**	**244**	**547**

All of the Company's intangible assets are with definite useful lives.

(in UAH thousand, unless otherwise stated)

10. Income tax

Income tax expense consist from the following:

	2018	2017
Current income tax:		
Current income tax charge	(8 225)	(2 761)
Deferred tax:		
Relating to origination and reversal of temporary differences	447	(39)
Total	**(7 777)**	**(2 800)**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2018	2017
Accounting profit/(loss) before income tax	43 117	15 515
Tax at the Ukrainian tax rate of 18%	(7 761)	(2 793)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Not deductible expenses due to purchases from non-profit organizations	(16)	(7)
Tax charge	**(7 777)**	**(2 800)**

Movement in deferred tax balances

	31 December 2018	Recognised in profit or loss	31 December 2017	Recognised in profit or loss	01 January 2017
Inventories	29	22	7	(59)	66
Provision for uninvoiced expenditures	923	425	498	20	478
Provision for VAT tax credit loss	1 380	-	1 380	-	1 380
Net deferred tax asset/(liability)	**2 332**	**447**	**1 885**	**(39)**	**1 924**

11. Inventories

	2018	2017
Goods in stock	58 633	26 092
Goods in transit	13 596	15 398
Fuel	53	54
Total	**72 282**	**41 544**

12. Trade and other receivables

	2018	2017
Trade receivables	19 618	18 749
Accounts receivable with budget (VAT)	8 858	7 430
Accounts receivable with budget (other taxes)	245	175
Deferred expenses	265	237
Receivables for advances paid	3 032	3 082
Total	**32 018**	**29 673**

(in UAH thousand, unless otherwise stated)

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			< 30 days	31-90 days	> 90 days
As at 31 December 2018	19 618	19 618	-	-	-
As at 31 December 2017	18 749	18 749	-	-	-

13. Cash and short-term deposits

As at December 31, cash and equivalents were presented as follows:

	2018	2017
Cash at bank	327	6 122
Short-term deposits	23 400	4 500
Total	**23 727**	**10 622**

Short-term deposits in “Credit Agricole Bank” are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earned interest in amount UAH 1 996 thousand for 2018 at the respective short-term deposits rates – 9 % (2017: UAH 414 thousand).

Information on available cash of currencies is provided in Note 24.

14. Authorized capital

Registered share capital of the Company as of 31 December 2018 and 31 December 2017 year totalled UAH 39 950 thousand. Participants of the Company in the reporting and the previous period were:

Shareholder	The size of the share, In UAH	The size of the share,%
Sun Pharma (Netherlands) BV	39 550 500	99%
Ranbaxy Holdings (UK) Limited	399 500	1%
Total authorized capital	**39 950 000**	**100%**

At the end of the reporting period, capital was paid in full.

15. Trade and other payables

	2018	2017
Trade payables	21 065	12 309
Other current liabilities	102	8
Total	**21 167**	**12 317**

(in UAH thousand, unless otherwise stated)

16. Provision of current costs

	2018	**2017**
Maintenance personnel expenses	6 179	5 583
Provision for uninvoiced expenditures	4 959	2 705
Ensuring when returning goods to the buyer	173	61
Provision for VAT tax credit loss	7 667	7 667
Total	**18 978**	**16 016**

Changes of current provisions for the year ended are presented in table below:

	31 December 2018	**Reversed during reporting period**	**31 December 2017**	**Reversed during reporting period**	**1 January 2017**
Maintenance personnel expenses	6 179	596	5 583	246	5 337
Provision for uninvoiced expenditures	4 959	2 254	2 705	55	2 650
Ensuring when returning goods to the buyer	173	112	61	53	8
Provision for VAT tax credit loss	7 667	-	7 667	-	7 667
Provision of current costs	**18 978**	**2 962**	**16 016**	**354**	**15 662**

17. Revenue from sales

	2018	**2017**
Proceeds from sales of medicines in Ukraine	353 554	298 479
Total	**353 554**	**298 479**

18. Administrative expenses

	2018	**2017**
Costs of administrative staff	(13 390)	(14 156)
Charges for salaries	(1 265)	(1 237)
Operating lease and car maintenance	(2 044)	(2 015)
Banking services	(339)	(438)
Rent and service office	(4 506)	(4 856)
Information and consulting services, including audit services	(1 483)	(1 082)
Provision for legal services (Note 23)	-	(817)
The costs of servicing computer systems	(613)	(615)
Other administrative expenses	(1 064)	(1 152)
Total	**(24 704)**	**(26 368)**

(in UAH thousand, unless otherwise stated)

19. Distribution costs

	2018	2017
Rental of warehouse and storage services	(6 601)	(6 190)
Personnel expenses marketing and sales	(38 617)	(37 666)
Charges for salaries	(7 455)	(7 116)
Expenditure on advertising and promotion of medicines	(45 703)	(35 429)
Operating lease and car maintenance	(16 060)	(15 827)
Quality control	(1 700)	(961)
Other distribution expenses	(2 142)	(3 004)
Total	**(118 278)**	**(106 193)**

20. Other operative income

	2018	2017
Write-off payables	-	19 714
The amount of insurance compensation	31	48
Other income	75	86
Total	**106**	**19 848**

Write-off payables was made in amount UAH 19 714 thousand with related party to cover losses from exchange rate differences in the period of fluctuations of foreign currencies to hryvna and to maintain the profitability of the Company (2016: UAH 55 771 thousand).

21. Other operative expenses

	2018	2017
The financial result from purchase and sale of foreign currency	(516)	(159)
The financial result in the exchange rate differences	(740)	(2 973)
Taxes	(1 758)	(1 611)
Other expenses	(528)	(297)
Total	**(3 542)**	**(5 040)**

22. Related party transactions

In these financial statements are considered to parties, one of which controls the company or controlled by it, or together with the organization are the subject of joint control.

Related parties may enter into transactions that were not carried out would be between unrelated parties, the prices and terms of such transactions may differ from the agreements and conditions between unrelated parties.

Related parties include:

- Shareholders;
- Key management personnel and close members of their families;
- Companies that are controlled or are experiencing significant influence of shareholders.

Transactions with related parties for the year ended December 31, balance and corresponding calculations are as follows:

Purchases from related parties were as follows:

	2018	2017
Purchases from related parties		
Companies that are controlled or are experiencing significant influence of shareholders	(186 341)	(129 810)
Total	**(186 341)**	**(129 810)**

(in UAH thousand, unless otherwise stated)

Write-off payables from related parties were as follows:

	2018	2017
Write-off payables from related parties		
Companies that are controlled or are experiencing significant influence of shareholders	-	19 714
Total	**-**	**19 714**

Amounts owed to related parties were as follows:

	As at 31.12.2018	As at 31.12.2017
Trade payables		
Companies that are controlled or are experiencing significant influence of shareholders	19 641	10 660
Total	**19 641**	**10 660**

Compensation of key management personnel:

	2018	2017
Wages and salaries	5 885	6 271
Social security contributions	147	109
Total	**6 032**	**6 380**

23. Contractual and contingent liabilities

The Ukrainian legislation related to taxation and regulation of the other aspects of the operating activity, including currency and customs control, continues to develop. A number of the adopted legal and normative acts is not always worded distinctly, and their interpretation depends on the position of the local, regional and central bodies of state power, and other state authorities. Frequently positions of different authorities on certain issues differ. The Company may conduct transactions on the terms that may be assessed as non-market by the tax bodies of Ukraine. Management believes that the Company adhered to all statutory regulations, and all taxes stipulated by legislation have been paid or accrued in full in the financial statements.

Capital commitments

As at 31 December 2018 and 31 December 2017 the Company did not have commitments on acquisition of property, plant and equipment and intangible assets.

Operating leases

The Company has entered into commercial property leases and vehicles leases. These leases have an average life of between three and five years with renewal option included in the contracts.

As of the date of the financial statements the Company had contractual obligations on operating leases, which were as follows:

	Rental property		Transports rentals	
	2018	2017	2018	2017
No later than 1 year	3 720	4 566	11 576	12 827
Later than 1 year and no later than 5 years	6 361	638	13 532	26 182
Total	**10 081**	**5 204**	**25 108**	**39 009**

Unresolved litigation

The Company has an unresolved case of illegal write-off of funds from the special account in the system of electronic reimbursement of VAT for the total amount of UAH 7 667 thousand. There were no expected changes in the tax legislation in 2018. The Company believes that a positive settlement of the claim to Tax Administration and reimbursement of funds are hardly probable.

(in UAH thousand, unless otherwise stated)

24. Financial risk management

Company may occur to the following risks associated with the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In this note disclosed information about each of these risks, the Company's objectives, policies and methods of assessing and managing the risks. Additional information revealed through the financial statements.

Credit risk

Credit risk - the risk that counterparty will default its obligations under a financial instrument or customer contract, leading to a financial loss. Financial instruments, which potentially can lead to concentrations of credit risk consist primarily of cash, the loans and receivables.

Credit risk arising from normal business activities of the Company, is controlled by each operating unit during the execution of the Company approved procedures for evaluating the reliability and solvency of each counterparty, including the collection. Monitoring of credit risk is done at the level of the Company in accordance with established guidelines and measurement methods in order to identify and monitor risks associated with contractors.

Some of the most of counterparties Company sells products in terms of delay. All customers to which Company sells its products in terms of delay, necessarily tested for their ability to pay.

The maximum exposure of credit risk is equal the carrying amounts of trade and other receivables (Note 12).

As at 31 December 2018 trade receivables from two buyers of the Company are considered: the debt of first buyer in the amount of UAH 11 540 thousand, which is 59% of the total trade receivables and the debt of the second buyer in the amount of UAH 8 078 thousand, which is 41% of the total trade receivables. As at 31 December 2017 receivables of the Company’s 2 buyers comprise: receivables of the first buyer in the amount of 12 613 thousand UAH, making 67% of the total amount of trade receivables, and the receivables of the second buyer in the amount of 6 136 thousand UAH, making 33% of the total amount of trade receivables.

Liquidity risk

The following table details the Company’s contractual maturity of its financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities including interest that will be accrued.

	Total	**On demand**	**Less than3 month**	**3-12 month**	**1-5 years**
Trade payables:					
As at 31 December 2018	21 065	1 425	19 641	-	-
As at 31 December 2017	12 309	1 649	10 660	-	-
	58 938	**4 687**	**33 218**	**-**	**-**

Currency risk

The sensitivity to the change in USD of the profit before tax as at 31 December 2018:

	Amount of financial instrument	**Increase (decrease) in exchange rate, %**	**Effect on profit before tax**
Trade payables	(13 806)	+15	(2 071)
		-5	690
Cash and cash equivalents	164	+15	25
		-5	(8)
Total effect of change in exchange rate	**(13 642)**	**+10**	**(2 046)**
		-5	**682**

(in UAH thousand, unless otherwise stated)

The sensitivity to the change in USD of the profit before tax as at 31 December 2017:

	Amount of financial instrument	Increase (decrease) in exchange rate, %	Effect on profit before tax
Trade payables	(1 573)	+5	(79)
		-5	79
Cash and cash equivalents	156	+5	8
		-5	(8)
Total effect of change in exchange rate	**(1 417)**	**+5**	**(71)**
		-5	**71**

The sensitivity to the change in EURO of the profit before tax as at 31 December 2018:

	Amount of financial instrument	Increase (decrease) in exchange rate, %	Effect on profit before tax
Trade payables	(5 835)	+15	(875)
		-5	292
Cash and cash equivalents	2	+15	-
		-5	-
Total effect of change in exchange rate	**(5 833)**	**+15**	**(875)**
		-5	**292**

The sensitivity to the change in EURO of the profit before tax as at 31 December 2017:

	Amount of financial instrument	Increase (decrease) in exchange rate, %	Effect on profit before tax
Trade payables	(9 087)	+15	(1 363)
		-5	454
Cash and cash equivalents	2	+15	-
		-5	-
Total effect of change in exchange rate	**(9 085)**	**+15**	**(1 363)**
		-5	**454**

25. Events after the date of the statement of financial position

There were no significant subsequent events which affect the financial statements.