SUN LABORATORIES FZE

Financial Statements

31 March 2018

SUN LABORATORIES FZE

Financial Statements
31 March 2018

CONTENTS | ***PAGES***

SUN LABORATORIES FZE
Director's Report

The director submits his report and accounts for the year ended 31 March 2018.

Results and appropriations

The results of the establishment and the appropriations made for the year ended 31 March 2018 are set out on pages 5 and 6 of the financial statements.

In my opinion, the financial statements set out on page 4 to 16 are drawn up so as to give a true and fair view of the financial position of the establishment as at 31 March 2018, the financial performance, changes in equity and cash flows of the establishment for the year then ended in accordance with the provisions of the Sharjah Airport International Free Zone Authority and International Financial Reporting Standards.

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 activity of distribution and marketing of pharmaceutical products manufactured by the ultimate parent company during the year.

Events since the end of the year

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

Shareholder and its interest

The shareholder at 31 March 2018 and its interest as at that date in the share capital of the establishment was as under:

	Country of incorporation	*No. of shares*	*AED*	*USD*
Sun Pharma Holdings	Mauritius	**300**	**45,000,000**	**12,251,565**

Auditors

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

Rajesh K. Shah
DIRECTOR

INDEPENDENT AUDITORS' 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 2018, 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 2018, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the establishment in accordance with the ethical requirements that are relevant to our audit of the financial statements in United Arab Emirates and in the Sharjah Airport International Free Zone 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.

Emphasis of Matter
Without qualifying our audit opinion, we draw attention to note 2 to the financial statements regarding going concern assumptions.

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.

Auditors' 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 auditors' 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 AUDITORS' REPORT TO THE SHAREHOLDER OF SUN LABORATORIES FZE

Auditors' 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' 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 as stated in emphasis of matter paragraph, 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
17 May 2018
Dubai

SUN LABORATORIES FZE

Statement of Financial Position
31 March 2018

	Notes	2018 USD	2017 USD
ASSETS			
Non-current assets			
Investment in a jointly controlled entity		-	10,341
Intangible asset	5	301,804	-
		301,804	**10,341**
Current assets			
Trade receivables	6	34,307,646	1,255,016
Other receivables	7	58,707	37,407
Prepayments		9,035	8,989
Cash and cash equivalents	8	7,833,103	171,051
		42,208,491	**1,472,463**
Total assets		**42,510,295**	**1,482,804**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	12,251,565	12,251,565
Accumulated losses		(16,334,230)	(17,566,593)
Total equity		**(4,082,665)**	**(5,315,028)**
Non-current liability			
Long-term loan	10	**-**	**5,300,000**
Current liabilities			
Trade payables	11	46,319,448	1,493,073
Other payables and accruals	12	273,512	4,759
		46,592,960	**1,497,832**
Total liabilities		**46,592,960**	**6,797,832**
Total equity and liabilities		**42,510,295**	**1,482,804**

The notes on pages 8 to 16 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2018

	Notes	2018 USD	2017 USD
Sales	13	61,708,341	1,255,016
Cost of sales	14	(55,017,784)	(1,041,664)
Gross profit		**6,690,557**	**213,352**
Other income		4,956	316,867
Expenditure			
Professional, promotional and marketing expenses		(5,331,132)	(2,217,233)
Lease and license fee		(8,459)	(8,168)
Other administrative expenses		(105,878)	(5,282)
Amortisation		(17,681)	-
Total expenditure		**(5,463,150)**	**(2,230,683)**
Profit/ (loss) for the year		**1,232,363**	**(1,700,464)**
Other comprehensive income/(loss)		-	-
Total comprehensive income/ (loss) for the year		**1,232,363**	**(1,700,464)**

The notes on pages 8 to 16 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Changes in Equity
for the year ended 31 March 2018

	Share capital USD	*Accumulated losses USD*	*Total USD*
As at 31 March 2016	**12,251,565**	**(15,866,129)**	**(3,614,564)**
Loss for the year	-	(1,700,464)	(1,700,464)
As at 31 March 2017	**12,251,565**	**(17,566,593)**	**(5,315,028)**
Profit for the year	-	1,232,363	1,232,363
As at 31 March 2018	**12,251,565**	**(16,334,230)**	**(4,082,665)**

The notes on pages 8 to 16 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Statement of Cash Flows
for the year ended 31 March 2018

	Note	*2018* *USD*	*2017* *USD*
Cash flows from operating activities			
Profit/ (loss) for the year		1,232,363	(1,700,464)
Adjustment for:			
Amortisation		17,681	-
Operating profit/ (loss) before working capital changes		**1,250,044**	**(1,700,464)**
Increase in trade, other receivables and prepayments		(33,073,976)	(1,291,473)
Increase/(decrease) in trade and other payables		45,095,128	1,497,220
Net cash from/ (used in) operating activities		**13,271,196**	**(1,494,717)**
Cash flows from investing activities			
Receipt from investment in a jointly controlled entity		10,341	-
Payment for purchase of intangible asset		(319,485)	-
Net cash from/ (used in) investing activities		**(309,144)**	**-**
Cash flows from financing activity			
(Payment) / receipt of long term loan		(5,300,000)	1,600,000
Net cash from/(used in) financing activity		**(5,300,000)**	**1,600,000**
Net increase/ (decrease) in cash and cash equivalents		**7,662,052**	**105,283**
Cash and cash equivalents at the beginning of the year		**171,051**	**65,768**
Cash and cash equivalents at the end of the year	8	**7,833,103**	**171,051**

The notes on pages 8 to 16 form an integral part of these financial statements.

Rajesh K. Shah
DIRECTOR

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

1. Legal status and activity

SUN LABORATORIES FZE (the "establishment") is a limited liability establishment incorporated 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 plus 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.

The establishment is engaged in distribution and marketing of pharmaceutical products manufactured by the ultimate parent company and sells to the overseas customers in the designated territories in terms of binding letter of intent with ultimate parent company. 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

As at 31 March 2018, the establishment's equity funds show deficit of USD 4,082,665 *(previous year US $ 5,315,028)* after adjusting net profit for the year of USD 1,232,363 *(previous year net of loss of US $ 1,700,464)*. The current liabilities as at above date exceeds current assets by USD 4,384,469 *(previous year USD 25,369)*. This situation is not in compliance with Sharjah International Airport Free Zone Regulations. However, these financial statements have been prepared on a going concern basis in view of the following:

- The Directors have resolved to continue the operation.
- Receivables are of sound quality.
- Key executive management is in place.
- Cash generated from operations is positive.
- The management is not aware of any material changes that may adversely affect the establishment, related to customers, suppliers, services or geographical markets.
- Parent entities would be extending financial support to timely meet with the future funding requirements, if any.

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) and 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 under the historical cost basis.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

Basis of preparation (cont'd)

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

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 (IFRS)
The establishment has applied all applicable accounting standards and amendments which are effective for annual periods beginning on or after 1 April 2017. The establishment has not early adopted any other standard, interpretation or amendment that has been issued but are not yet effective.

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 asset
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and impairment losses, if any. Amortization of trademark is recognised on a straight-line basis over their estimated useful life of 5 years. 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.

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.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

Summary of significant accounting policies (cont'd)

Financial assets
The financial assets comprise trade and other receivables and cash and cash equivalent.

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 receivables

Other current financial assets represents advances, vat receivable and refundable deposit.

Cash and cash equivalents

Cash and cash equivalents comprise bank balance in current accounts that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities
The financial liabilities comprise long term loan and trade and other payables.

Trade and other payables

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether invoiced by the supplier or not.

Impairment of financial assets

All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Impairment losses and reversals thereof are recognized in the statement of profit or loss and other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Provisions, contingent liabilities and contingent assets

Provisions are recognised only when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate of the amount of the obligation can be made. Contingent liability is disclosed for (i) possible obligations which will be confirmed only by future events not wholly within the control of the establishment or (ii) present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

Summary of significant accounting policies (cont'd)

Revenue recognition

Sale of products
Revenue from sale of products is recognized when the significant risk and rewards of ownership have been transferred to the customer, usually on delivery of goods, it is probable that the economic benefit will flow to the establishment, the associated costs and possible return of goods can be estimated reliably, there is neither continuing management involvement to the degree usually associated with ownership nor effective control over the goods sold and the amount of revenue can be measured reliably.

Provisions for discounts and rate difference are estimated and provided for in the year of sales and recorded as reduction of revenue.

Other income
Other income is recognised as per the contractual agreement.

Foreign currency transactions

Transactions in currencies other than US Dollars are converted into US Dollars at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in other than US Dollars are translated into USD at the rate of exchange ruling at the statement of financial position date. Resulting gain or loss is taken to the statement of profit or loss and other comprehensive income.

4. Significant judgment employed in applying accounting policies and key sources of estimation uncertainty

4.1 Significant judgment employed

The significant judgement made in applying accounting policies that has the most significant effect on the amounts recognized in the financial statements is as follows:

Impairment

At each reporting date, management conducts an assessment of investments and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of trade and other receivables, if an amount is deemed irrecoverable, it is written off to the statement of profit or loss and other comprehensive income or, if previously a provision was made, it is written off against the provision. Reversals of provisions against trade and other receivables are made to the extent of the related amounts being recovered.

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 2018

Key sources of estimation uncertainty (cont'd)

Intangible assets

The establishment assesses, at each financial position date, whether there is any indication that an asset may be impaired. An intangible asset that is amortised over a period exceeding five years from the date when the asset is available for use is tested for impairment each financial year even if there is no indication that the asset is impaired. If any such indication exists, the establishment estimates the recoverable amount of the asset.

Impairment of trade receivables

An estimation of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of past time due, based on anticipated recovery rates.

Impairment

Based on the assessment assumptions are made as to the level of provisioning required. Assessment of net recoverable amount of intangible assets and all financial assets other than trade and receivables, per above, are based on assumptions regarding future cash flows expected to be received from related assets.

	Trademark USD
5. Intangible asset	
Cost	
Purchased during the year	319,485
As at 31.03.2018	**319,485**
Amortization	
Charge for the year	17,681
As at 31.03.2018	**17,681**
Net book value	
As at 31.03.2018	**301,804**

6. Trade receivables

The establishment's credit period ranges between 0-270 days after which trade receivables are past due. Although trade receivables of USD 3,920,901/-, net of subsequent recoveries, are past due, they are considered good and fully recoverable by the management. Since the date of statement of financial position, the establishment has recovered USD 8,706,502/- from trade receivables.

As at 31 March, the aging of trade receivables is as follows:

	Total US $	***0-30 Days US $***	***31-90 Days US $***	***91-180 Days US $***	***180-365 Days US$***	***More than 365 Days US$***
2018	***34,307,646***	*10,453,902*	*11,486,173*	*6,362,116*	*5,902,354*	*103,101*
2017	***1,255,016***	*451,337*	-	*803,679*	-	-

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

		2018 USD	2017 USD
7.	**Other receivables**		
	Vat receivable	2,340	-
	Advances	55,414	36,454
	Deposit	953	953
		58,707	**37,407**

8. Cash and cash equivalents

This represents bank balance in current accounts with banks.

		2018 USD	2017 USD
9.	**Share capital**		
	Authorised, issued and paid-up:		
	300 shares of AED 150,000 each *(converted @ 3.673)*	**12,251,565**	**12,251,565**

10. Long-term loan

This represents unsecured and non-interest bearing long term loan from a related party which has been repaid during the year.

11. Trade payables

Includes US $ 44,402,008 *(previous year USD 1,489,636)* payable to a related party on trade account and US $ 1,917,440 *(previous year USD Nil)* due to overseas parties on account of commission on sales.

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

		2018 USD	2017 USD
12.	**Other payables and accruals**		
	Advance from a customer	41,285	-
	Accruals	232,227	4,759
		273,512	**4,759**

13. Sales

This represents sales to overseas customers of USD 61,708,341 *(previous year USD 1,255,016)* net of discounts and rate difference.

14. Cost of sales

This represents cost of sales of USD 55,017,784 *(previous year USD 1,041,664)* net of rate difference.

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

15. Related parties transaction 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 are the entities which possesses the ability (directly or indirectly) to conduct or exercise significant influence over the operating and financial decision of the establishment or vice versa and it is subject to common control or common significant influence. Related parties comprise the ultimate parent shareholder company, the parent shareholder company, party to joint business venture, the companies under common ownership and / or common management control and the directors of the establishment as under:

Ultimate parent shareholder company
- Sun Pharmaceutical Industries Ltd., India

Parent shareholder company
- Sun Pharma Holdings, Mauritius

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

Party to a joint venture/Jointly controlled entity
- MSD Sun LLC, U.S.A

Directors
- Mr. Surendra Manishanker Joshi
- Mr. Rajesh K. Shah
- Mr. Vishwanath Vinayak Kenkare

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

	Ultimate parent company USD	*Fellow subsidiary USD*	*Total 2018 USD*	*Total 2017 USD*
Purchases	55,017,784	-	55,017,784	1,041,664
Promotion and marketing exp.	777,877	-	777,877	447,973
Repayment of long term loan	-	5,300,000	5,300,000	-
Service charges	-	20,423	20,423	-

The establishment also receives interest free funds from the related party to meet with working capital requirements. The year-end related parties' balances are as under:

	2018 USD Dr / (Cr)	*2017 USD Dr / (Cr)*
Investment in jointly controlled entity:		
Party to a joint venture/Jointly controlled entity	-	10,341
Loan from a related party:		
Fellow subsidiary	-	(5,300,000)
Trade payables		
Ultimate parent company	(44,402,008)	(1,489,636)

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

16. Capital management

The establishment manages its capital to ensure that the establishment will be able to continue as a going concern while maximizing the return to the shareholder company. The establishment's capital structure consists of equity, comprising share capital and accumulated losses

17. Financial instruments: Credit, liquidity and market risk exposures

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially expose the establishment to concentrations of credit risk comprise principally of bank balance in current accounts and trade and other receivables. The establishment's bank balance in current accounts are placed with high credit quality financial institutions.

The establishment has derived 94% of its revenue from ten customers based overseas. At 31 March 2018, the establishment had significant concentration of credit risk with ten overseas customers accounting for 96% of the trade receivables.

Management believes that this concentration of credit risk is mitigated as these customers have long standing relationships with the related entities. The establishment also seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables and the terms of realization with the customers being letter of credit where available. In this way, the customer balances are secured and considered good and recoverable by the management.

There are no significant concentrations of credit risk from receivables outside the industry in which the company 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 shareholder 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. In the absence of interest bearing borrowings, there is no interest rate risk.

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 U.A.E. Dirhams or US Dollars to which the US Dollars rate is fixed:

SUN LABORATORIES FZE

Notes to the Financial Statements
for the year ended 31 March 2018

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

	2018 Equivalent USD	*2017 Equivalent USD*
Foreign currency financial assets:		
Trade receivables	4,468,308	-
Euro (EUR)		
Bank balance		
Euro (EUR)	1,370,957	-
Foreign currency financial liability:		
Trade payables		
Euro (EUR)	5,810,443	-

18. Financial instruments: Fair values

The fair values of the establishment's financial assets, comprising trade and other receivables and bank balance and financial liability comprising trade and other payables, approximate to their carrying values.

19. Contingent liabilities and capital commitments

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

20. Comparative figures

Previous year's figures have been regrouped / reclassified wherever necessary to conform to the presentation adopted in the current year.

21. Approval of the financial statements

The financial statements were approved by the board of directors on 17 May 2018 and authorized Mr. Rajesh K. Shah to sign on behalf of the Board.

____

Rajesh K. Shah
DIRECTOR