

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2016

PATEL SHAH JOSHI & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS - 31 MARCH 2016

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SUN PHARMA EAST AFRICA LIMITED

DIRECTORS AND OTHER PARTICULARS - 31 MARCH 2016

DIRECTORS

Thomas Kurusinkal Antony
Rajesh Kushalchand Shah

REGISTERED OFFICE

Plot No. L R 209/13257/1
3rd Floor, Centre Point
Parklands Road
P O Box 41684 - 00100
NAIROBI

SECRETARY

P V R Rao CPA(K), CPS(K)
P O Box 41684 - 00100
NAIROBI

INDEPENDENT AUDITORS

Patel Shah Joshi & Associates
Certified Public Accountants
P O Box 41684 - 00100
NAIROBI

BANKER

Diamond Trust Bank
Cross Road Branch
P O Box 28575 - 00100
NAIROBI

SUN PHARMA EAST AFRICA LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their first report together with the audited financial statements of the company for the year ended 31 March 2016.

PRINCIPAL ACTIVITY

The main activity of the company is distributing pharmaceutical products, medical devices and/or biotechnology products.

RESULTS

The loss for the year amounting to K Sh 53,143,081 (2014: 975,078) has been adjusted to the revenue reserves.

DIVIDEND

The directors do not recommend the payment of any dividend for the year under review.

DIRECTORS

All present directors continue in office in the ensuing year.

INDEPENDENT AUDITORS

Messrs Patel Shah Joshi & Associates are eligible for re-appointment as independent auditors in accordance with Section 159 (2) of the Companies Act.

ON BEHALF OF THE BOARD

DIRECTOR
NAIROBI

Date: _____

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2016

The Companies Act requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company. It also requires the directors to ensure that the company keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the company and of its operating results.

The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of these financial statements, as well as adequate systems on internal financial control.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Director

Director

Date: _____

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUN PHARMA EAST AFRICA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of the company set out on pages 5 to16. These financial statements comprise the statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to error or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessments of the risks of material misstatement of the financial statements, whether due to error or fraud. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at **31 March 2016** and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report required under Kenyan Companies Act

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. Proper books of account have been kept by the company in so far as it appeared from our examination of those books. The financial statements of the company are in agreement with the books of account.

Patel Shah Joshi & Associates
Certified Public Accountants

Nairobi

.....**2016**

K V S K Sastry
M No: 2105
Certificate of Practice No: P1228

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 K Sh	10 Months 2015 K Sh
Turnover		192,309,453	-
Cost of sales		(183,120,592)	(299,250)
Gross profit / (loss)		9,188,861	(299,250)
Net foreign exchange fluctuations		(1,813,597)	-
Administration costs		(52,169,596)	(1,078,719)
Marketing expenses		(27,744,244)	-
Other operating costs		(759,585)	-
Operating loss		(73,298,162)	(1,377,969)
Finance cost		(1,226,290)	-
Loss before tax	2	(74,524,452)	(1,377,969)
Tax	3	21,381,371	402,891
Net loss after tax		(53,143,081)	(975,078)
Other comprehensive income		-	-
Total comprehensive loss for the year transferred to statement of changes in equity		(53,143,081)	(975,078)

Independent auditors' report - page 4

The accounting policies and notes on pages 9 to 16 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

ASSETS	Notes	2016 K Sh	2015 K Sh
Non-current assets			
Vehicles & equipment	5	2,292,095	-
Intangible assets	6	253,666	-
Deferred tax asset	7	21,784,262	402,891
		-----	-----
		24,330,023	402,891
		-----	-----
Current assets			
Inventories	8	147,976,168	-
Trade and other receivables	9	129,269,248	220,417
Cash and cash equivalents	10	6,497,182	8,916,114
		-----	-----
		283,742,598	9,136,531
		-----	-----
Total assets		308,072,621	9,539,422
		=====	=====
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	100,000	100,000
Revenue deficit		(54,118,159)	(975,078)
		-----	-----
		(54,018,159)	(875,078)
		-----	-----
Non-current liabilities			
Borrowings	12	44,799,867	9,790,300
		-----	-----
Current liabilities			
Trade and other payables	13	317,290,913	624,200
		-----	-----
Total equity and liabilities		308,072,621	9,539,422
		=====	=====

Independent auditors' report - page 4

The accounting policies and notes on pages 9 to 16 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on2016 and signed on its behalf by:-

DIRECTOR

DIRECTOR

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Share capital K Sh	Revenue reserve K Sh	Total K Sh
Total comprehensive loss for the year	-	(975,078)	(975,078)
Transaction with owners			
Share capital introduced	100,000	-	100,000
	-----	-----	-----
Balance as at 31 March 2015	100,000	(975,078)	(875,078)
Total comprehensive loss for the year	-	(53,143,081)	(53,143,081)
	-----	-----	-----
	100,000	(54,118,159)	(54,018,159)
	=====	=====	=====

Independent auditors' report - page 4

The accounting policies and notes on pages 9 to 16 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 K Sh	10 Months 2015 K Sh
Operating activities			
Cash used in operations	14	(35,873,333)	(974,186)
Net cash used in operating activities		(35,873,333)	(974,186)
Investing activities			
Purchase of motor vehicles and equipment	5	(3,051,680)	-
Purchase of software	6	(317,083)	-
Net cash used in investing activities		(3,368,763)	-
Financing activities			
Share capital introduced		-	100,000
Proceeds from loan	12	35,009,567	9,790,300
Net cash generated from financing activities		35,009,567	9,890,300
(Decrease) / increase in cash and cash equivalents		(4,232,529)	8,916,114
Movement in cash and cash equivalents			
At the start of the year		8,916,114	-
(Decrease) / increase during the year		(4,232,529)	8,916,114
Effect of exchange rate fluctuations		1,813,597	-
At the end of the year	10	6,497,182	8,916,114

Independent auditors' report - page 4

The accounting policies and notes on pages 9 to 16 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:-

a) Accounting convention

The financial statements were prepared in accordance with and comply with International Financial Reporting Standards. They were prepared under the historical cost convention.

b) Depreciation

Depreciation is charged on fixed assets so as to write off their cost over their expected useful lives using the reducing balance method, at the following annual rates:-

Motor vehicles	25 %
Office equipment	12.5 %

c) Intangible assets

The cost of computer software is capitalised on the basis of the total sums incurred by the company to acquire and bring to use the specific software. These costs are amortised over their estimated useful life of five years.

d) Inventories

Inventories are consistently valued by the directors at the lower of cost and net realizable value with due allowance for any obsolete and slow moving items. Cost is determined by the weighted average cost method. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

e) Trade and other receivables

Trade receivables are carried at original invoiced amounts less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect the amounts due. Such provisions are recognised in the income statement as bad debts in the year in which they are identified.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and short-term deposits with banks.

g) Borrowings

difference between the proceeds received (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowing as an interest expense. Borrowings are classified as current liabilities unless the company has unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

h) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. SIGNIFICANT ACCOUNTING POLICIES

i) Foreign currencies

Assets and liabilities in foreign currency are translated into Kenya shillings at the rate of exchange ruling at the statement of financial position date. Transactions during the year in foreign currency are translated at the rate of exchange ruling at the transaction date. Any exchange fluctuations are dealt with in the statement of profit or loss.

j) Tax

Tax is provided at the rate of thirty per cent based on the results for the year as adjusted in accordance with the current tax legislation.

k) Deferred tax

Deferred tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

l) Revenue recognition

Sales represents invoices raised during the year net of discounts and credit notes and excluding Value Added Tax (VAT).

All other income is recognised on receipt basis.

m) Comparative figures

Comparative figures are adjusted, wherever necessary, to conform to the changes in the presentation for the current year.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 K Sh	10 Months 2015 K Sh
2. OPERATING LOSS		
is stated after charging:		
Amortisation of intangible assets	63,417	-
Auditors' remuneration	250,000	20,000
Depreciation	759,585	-
Directors' remuneration	6,990,753	-
Staff cost - Note 16	38,030,191	964,537
	=====	=====
3. FINANCE COST		
Interest on loan	1,226,290	-
Foreign exchange fluctuations	681,599	-
	-----	-----
	1,907,889	-
	=====	=====
4. TAX		
This comprises:		
Current tax	-	-
Deferred tax credit - Note 7	(21,381,371)	(402,891)
	-----	-----
Tax credit	(21,381,371)	(402,891)
	=====	=====
The tax on the company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Net loss before tax	(74,524,452)	(1,377,969)
	-----	-----
Tax calculated at the rate of 30%	(22,357,336)	(413,391)
Tax effects of :-		
Expenses not deductible for tax purposes	974,089	10,500
Permanent difference	1,876	-
	-----	-----
Tax credit	(21,381,371)	(402,891)
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5. VEHICLES AND EQUIPMENT

	Motor Vehicles K Sh	Office Equipment K Sh	Total K Sh
COST			
Additions during the year	3,025,000	26,680	3,051,680
	-----	-----	-----
At end of year	3,025,000	26,680	3,051,680
	-----	-----	-----
DEPRECIATION			
Charge for the year	756,250	3,335	759,585
	-----	-----	-----
At end of year	756,250	3,335	759,585
	-----	-----	-----
CARRYING VALUES			
As at 31.03.2016	2,268,750	23,345	2,292,095
	=====	=====	=====

	2015 K Sh	10 Months 2014 K Sh
6. INTANGIBLE ASSETS		
Additions during the year	317,083	-
	-----	-----
Cost at end of year	317,083	-
	-----	-----
Amortisation		
Charge for the year	63,417	-
	-----	-----
	63,417	-
	-----	-----
CARRYING VALUE		
As at 31 March	253,666	-
	=====	=====

Intangible assets refer to the cost of acquisition of tally accounting software & payroll software.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016	10 Months	
	K Sh	2015	
		K Sh	
7. DEFERRED TAX			
Deferred taxes are calculated, in full, on all temporary differences under the liability method using an enacted tax rate of 30 %. The movement of deferred tax account is as follows:			
At start of year	(402,891)	-	
Credit to profit or loss	(21,381,371)	(402,891)	
	-----	-----	
At end of year	(21,784,262)	(402,891)	
	-----	-----	
Deferred tax asset and deferred tax credit in the statement of profit or loss is attributable to the following items:			
	01-Apr-15	Credit to	31-Mar-16
		P / L	
	K Sh	K Sh	K Sh
Deferred tax asset			
Tax losses carried forward	(402,891)	(20,569,513)	(20,972,404)
Unrealised exchange differences	-	(811,858)	(811,858)
	-----	-----	-----
Net deferred tax asset	(402,891)	(21,381,371)	(21,784,262)
	=====	=====	=====
8. INVENTORIES			
Stock-in-trade		147,976,168	-
		=====	=====
9. TRADE AND OTHER RECEIVABLES			
Trade receivables		128,374,858	-
Prepayments		877,724	220,417
Other receivables		16,665	-
		-----	-----
		129,269,248	220,417
		=====	=====
10. CASH AND CASH EQUIVALENTS			
Cash in hand		6,407	-
Balances at bank		6,490,775	8,916,114
		-----	-----
		6,497,182	8,916,114
		=====	=====

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise of the above.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 K Sh	10 Months 2015 K Sh
11. SHARE CAPITAL		
Authorized, issued & fully paid-up:		
1,000 Ordinary Shares of K Sh 100 each	100,000	100,000
	=====	=====
12. BORROWINGS		
Non - current		
Loan from related party - Note 15	44,799,867	9,790,300
	=====	=====
<p>The loan from related party (Sun Pharma Global FZE) carries interest at 4% per annum on outstanding principal amount from 1st April 2015. The loan is unsecured and has no fixed repayment schedule.</p>		
13. TRADE AND OTHER PAYABLES		
Trade payables - Note 15	306,897,796	-
Provisions and accruals	10,065,117	296,200
Balance due to director	328,000	328,000
	-----	-----
	317,290,913	624,200
	=====	=====
14. CASH USED IN OPERATIONS		
<p>Reconciliation of net loss before tax to cash used in operations:</p>		
Net loss before tax	(74,524,452)	(1,377,969)
Adjustments for:		
Amortisation of intangible asset	63,417	-
Depreciation	759,585	-
Effect of exchange rate fluctuations	(1,813,597)	-
Changes in working capital:		
Increase in inventories	(147,976,168)	-
Increase in receivables	(129,048,831)	(220,417)
Increase in payables	316,666,713	624,200
	-----	-----
Cash used in operations	(35,873,333)	(974,186)
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

	2016 K Sh	10 Months 2015 K Sh
15. RELATED PARTY TRANSACTIONS		
The following arm's length transactions were carried out with parties which are related through common shareholding and / or common directorships.		
Purchases of goods	306,897,796 =====	-
The following amounts are due from or due to related parties:		
Payables to related party - Note 13		
Sun Pharmaceuticals Industries Ltd	306,897,796 =====	-
Borrowing from related party - Note 12		
Sun Pharma Global FZE	44,799,867 =====	9,790,300 =====
16. STAFF COST		
Salaries and Wages	36,117,640	964,537
Staff welfare	1,912,551 -----	-
	38,030,191 =====	964,537 =====

The average number of staff in employment during the year was 38 (2015:1).

17. INCORPORATION AND DOMICILE

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya.

18. CURRENCY

These financial statements are presented in Kenya Shillings (K Sh).

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

19. FINANCIAL RISK MANAGEMENT POLICIES

The company's activities expose it to a variety of financial risks including credit and liquidity risks, effects of changes in foreign currency, interest rates as well as changes in market prices of company's products. The company's overall risk management programme focuses on unpredictability of changes in business environment and seeks to minimize the potential adverse effects of such risks on its performance by setting acceptable levels of risk. The company's financial risk management objectives and policies are detailed below:

a) Capital risk

The company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return through the optimum use of the available resources. The capital structure of the company consists of paid up capital, retained earnings and external borrowings. The company endeavours to maximize the return on each component.

b) Credit risk

The company's credit risk is primarily attributable to trade receivables and trade payables. The company constantly monitors its credit risks on these aspects in line with its overall risk management policies and responds to specific situations within the parameters set. The company does not hedge any risks and has in place policies to ensure that credit is extended to customers with established credit history.

c) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's borrowings. Further, the company, from time to time, in order to position itself for expected demand for liquid funds, holds deposits with institutions which also is a subject of interest rate risk. The company manages the risk by a constant contact with the financial markets in order to optimize its revenue and expense and responds to any adverse situations in accordance with the general trends in financial markets.

d) Liquidity risk

The company manages its liquidity risk by intelligent treasury management practices, formulated on the basis of constant assessment of its requirements, present and future and sourcing of funds internal or external including ploughing back of its own financial resources.

e) Market risk

The company's market risk stems from procurement of its inputs and distribution of its products. The company closely monitors the implementation of its procurement policy, inventory policy as well as credit policy with a view to optimize its market share as well as to respond to external threats. The company regularly reviews its core strengths and seeks to put such strengths to optimum use to maintain its niche in the market - present and future.

SUN PHARMA EAST AFRICA LIMITED

Annex I

**DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2016**

	2016 K Sh	10 Months 2015 K Sh
Turnover	192,309,453 -----	- -----
Less: Cost of sales		
Purchases	331,096,760	299,250
Closing stock	(147,976,168)	-
Cost of sales	183,120,592 -----	299,250 -----
Gross profit / (loss)	9,188,861	(299,250)
Foreign exchange fluctuations	(1,813,597) -----	- -----
	7,375,263 -----	(299,250) -----
Less: Expenses		
Administration	52,169,596	1,078,719
Marketing	27,744,244	-
Finance	1,226,290	-
Depreciation	759,585 -----	- -----
	81,899,715 -----	1,078,719 -----
Net loss before tax	(74,524,452) =====	(1,377,969) =====

SUN PHARMA EAST AFRICA LIMITED

Annex II

**SCHEDULE OF EXPENSES
FOR THE YEAR ENDED 31 MARCH 2016**

	2016	10 Months
	K Sh	2015
		K Sh
ADMINISTRATION		
Accountancy fees	448,600	10,000
Amortisation charge	63,417	-
Audit fees	250,000	20,000
Bank charges	192,014	15,849
Company incorporation expenses	-	35,000
Computer expenses	174,200	-
Directors' remuneration	6,990,753	-
Donation	84,673	-
Immigration & work permit expenses	610,000	8,333
License	9,875	-
Miscellaneous expenses	186,540	-
Motor vehicles running expenses	228,716	-
Postage, telephone and internet	636,429	-
Printing & Stationery	176,578	-
Professional fees	50,000	25,000
Rent expenses	2,949,547	-
Salary & wages	36,117,640	964,537
Staff welfare	1,912,551	-
Subscription	2,500	-
Travelling expenses	1,085,564	-
	-----	-----
	52,169,596	1,078,719
	=====	=====
MARKETING		
Marketing expenses	27,744,244	-
	=====	=====
FINANCE COST		
Interest on loan	1,226,290	-
	=====	=====
DEPRECIATION		
Motor vehicles	756,250	-
Office equipment	3,335	-
	-----	-----
	759,585	-
	=====	=====