

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2022

PATEL SHAH JOSHI & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS - 31 MARCH 2022

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SUN PHARMA EAST AFRICA LIMITED

DIRECTORS AND OTHER PARTICULARS - 31 MARCH 2022

DIRECTORS	Kamlesh Sati (Appointed on 19-11-2021) Lakshman Kumar (Resigned on 19-11-2021) Rajesh Khushalchand Shah
REGISTERED OFFICE	Plot No. L R 209/13257/1 3rd Floor, Centre Point Parklands Road P O Box 41684 - 00100 NAIROBI
PRINCIPAL PLACE OF BUSINESS	Plot No. L R 209/20162 T402, Fourth Floor, Park Place 2nd Avenue Parklands P O Box 66180 - 00800 NAIROBI
SECRETARY	Richard Maina Kamami Certified Public Secretary (Kenya) P O Box 14474 - 00100 NAIROBI
INDEPENDENT AUDITORS	Patel Shah Joshi & Associates Certified Public Accountants P O Box 41684 - 00100 NAIROBI
BANKER	Diamond Trust Bank Kenya Limited 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 annual report together with the audited financial statements of the company for the year ended 31 March 2022.

PRINCIPAL ACTIVITY

The main activity of the company is dealing in human pharmaceuticals - import, marketing and wholesale distribution.

RESULTS AND DIVIDEND

The profit for the year amounting to K Sh 16,035,835 (2021: K Sh 22,509,038) has been adjusted to the revenue reserves.

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

DIRECTORS

The directors who held office during the year and to the date of this report are set out on page 1. All the present directors continue in office in the ensuing year.

STATEMENT AS TO DISCLOSURES TO THE COMPANY'S AUDITOR

The directors in office at the date of this report confirm that, to the best of their knowledge and belief,

- a) all the relevant audit information was availed to the Company's auditor; and
- b) they took all the steps required to be taken so as to be aware of any relevant audit information and to establish that the Company's auditor is availed with such information.

INDEPENDENT AUDITORS

Messrs Patel Shah Joshi & Associates are eligible for re-appointment as independent auditors in accordance with Section 717 (2) of the Companies Act, 2015.

ON BEHALF OF THE BOARD

DIRECTOR

Date: _____

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2022

The Kenyan Companies Act, 2015 requires the directors to prepare financial statements for each financial year, that give a true and fair view of the financial position of the company as at the end of the financial year and of its profit and loss for the year. It also requires the directors to ensure that the company keeps proper accounting records that:

- a) show and explain the transactions of the company;
- b) disclose, with reasonable accuracy, the financial position of the company; and
- c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Companies Act, 2015.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) design, implementing and maintaining such internal controls as they determine necessary to enable the presentation of the financial statements that are free from material misstatements, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgments that are reasonable in the circumstances.

Having made an assessment of the company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on..... 2022 and signed on its behalf by:

Director

Director

Date: _____

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

Opinion

We have audited the accompanying financial statements of Sun Pharma East Africa Limited set out on pages 6 to 19. These financial statements comprise the statement of financial position as at 31 March 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at **31 March 2022** 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, 2015.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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, misrepresentations or the override of internal control.

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

Auditor's responsibility for the financial statements (continued)

- 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 the 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.

Report on other legal requirements

In our opinion the information given in the report of the directors on page 2 is consistent with the financial statements.

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- i) 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;
- ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report was **CPA K V S K Sastry**, Practising Certificate No. P1228.

Patel Shah Joshi & Associates
Certified Public Accountants

Nairobi

.....**2022**

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 K Sh	2021 K Sh
Turnover	3	965,912,275	797,910,966
Cost of sales	4	(639,716,264)	(529,376,934)
Gross profit		326,196,011	268,534,032
Other income	5	(43,082,431)	(31,972,106)
Administration costs	6	(84,020,764)	(76,544,605)
Selling and distribution expenses	7	(167,506,742)	(123,170,027)
Other operating costs	8	(4,658,724)	(824,836)
Operating profit		26,927,349	36,022,458
Finance cost	9	(2,050,191)	(1,951,452)
Profit before tax		24,877,158	34,071,006
Tax	10	(8,841,324)	(11,561,968)
Net profit after tax		16,035,835	22,509,038
Other comprehensive income		-	-
Total comprehensive income for the year transferred to statement of changes in equity		16,035,835	22,509,038

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

ASSETS	Notes	2022 K Sh	2021 K Sh
Non-current assets			
Furniture, equipment & vehicles	11	5,966,617	2,476,325
Right-of-use asset	12	29,587,820	-
Deferred tax	13	31,464,538	40,242,757
		<u>67,018,975</u>	<u>42,719,082</u>
Current assets			
Inventories	14	605,345,670	235,348,949
Trade and other receivables	15	332,612,106	333,054,026
Cash and cash equivalents	16	13,353,356	25,992,202
Tax recoverable		1,736,828	1,765,852
		<u>953,047,960</u>	<u>596,161,029</u>
Total assets		<u>1,020,066,935</u>	<u>638,880,111</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	100,000	100,000
Revenue deficit		(99,882,692)	(115,918,527)
		<u>(99,782,692)</u>	<u>(115,818,527)</u>
Non-current liabilities			
Lease liabilities	18	24,374,323	-
		<u>24,374,323</u>	<u>-</u>
Current liabilities			
Lease liabilities	18	6,964,315	-
Trade and other payables	19	1,088,510,989	754,698,638
		<u>1,095,475,304</u>	<u>754,698,638</u>
Total equity and liabilities		<u>1,020,066,935</u>	<u>638,880,111</u>

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on2022 and signed on its behalf by:-

DIRECTOR

DIRECTOR

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2022

	Share capital K Sh	Revenue reserve K Sh	Total K Sh
Balance as at 1 April 2020	100,000	(138,427,564)	(138,327,564)
Total comprehensive income for the year	-	22,509,038	22,509,038
Balance as at 31 March 2021	100,000	(115,918,527)	(115,818,527)
Total comprehensive income for the year	-	16,035,835	16,035,835
Balance as at 31 March 2022	100,000	(99,882,692)	(99,782,692)

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements.

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 K Sh	2021 K Sh
Operating activities			
Cash (used in) / generated from operations	20	(47,543,203)	20,314,836
Tax paid		(34,081)	(1,775,774)
		-----	-----
Net cash (used in) / generated from operating activities		(47,577,284)	18,539,062
		-----	-----
Investing activities			
Acquisition of fixed assets	11	(5,212,486)	(71,820)
Proceeds from disposal of fixed assets	11	225,000	-
		-----	-----
Net cash used in investing activities		(4,987,486)	(71,820)
		-----	-----
Financing activities			
Repayment of interest		-	(517,449)
Repayment of borrowings		-	(55,702,148)
Payment of lease liabilities	18	(3,413,880)	-
		-----	-----
Net cash used in financing activities		(3,413,880)	(56,219,597)
		-----	-----
Decrease in cash and cash equivalents		(55,978,650)	(37,752,355)
		-----	-----
Movement in cash and cash equivalents			
At start of the year		25,992,202	27,252,991
Decrease during the year		(55,978,650)	(37,752,355)
Effect of exchange rate fluctuations		43,339,803	36,491,566
		-----	-----
At end of the year	16	13,353,356	25,992,202
		=====	=====

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 19 form an integral part of these financial statements

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 %
Furniture & equipment	12.5 %
Computer & related equipment	30%

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 statement of profit or loss as bad debts in the year in which they are identified.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and balances at bank.

g) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Any difference between the proceeds received (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the year 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 2022

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) Foreign exchange fluctuations

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) Taxation

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) IFRS16 Leases

IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an arrangement contains a lease and their interpretations (SIC-15 and SIC-27)'. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all the leases, with a term of more than 12 months, unless the underlying asset is of low value. A Lessee is required to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The adoption of this standard has a material impact on the financial statements, significantly increasing the entity's recognised assets and liabilities. The entity has leased a rental unit No. T402 (4,505 Sq.ft) situated on the fourth floor of the building known as Park Place erected on LR no.209/20162 Nairobi. The lease is reflected in the statement of financial position as a right-to-use asset and a lease liability. The right-of-use asset and lease liabilities were measured at the present value of the remaining lease payments as at 1 October 2021.

n) 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 2022

2. MEASURES FOR THE FORTHCOMING YEAR

a) Marketing Strategy

During the year 2022-23 The company intends to focus in building institutional businesses , the restructuring of target market was done in the previous year and now the company will try to consolidate and grow in these new expanded territories. The company intends to continue its aggressive focus in Cardiology, Central Nervous Systems (CNS) and general range to push the business further. The focus will also remain to develop the outstation markets to become meaningful players in these regions.

b) Operational efficiency

The Company carried out a goal setting exercise for all divisions. The focus was on market detailing, intensifying the reach to hospitals and doctors and providing useful feedback for management action and follow-up. This gave the company more operational control during the year thus no much change will happen in the year 2022-23.

c) Staffing

During 2022-23, the company has a plan to expand its field staff to cover more territories.

d) Cost reduction

During 2022-23, the Company will not see any major changes in the expense head.

OUTLOOK 2022-23

The company projects to achieve better sales growth compared to the previous year. However, the company will leverage the soft credit terms availed by the parent company to ensure constant availability of the entire range of products and will enhance the marketing and promotion efficiencies through constant feed-back initiative introduced during the year, and improving control over the sales and marketing team. No changes are expected in the operating costs and hence will maintain almost the same cost in 2022-23.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	K Sh	K Sh
3. REVENUE		
Sales	965,912,275	797,910,966
	-----	-----
4. COST OF SALES		
Opening stock	235,348,949	178,763,153
Purchases	1,002,075,177	577,706,815
Product registration fees & regulatory expenses	7,637,809	8,255,914
Closing stock	(605,345,670)	(235,348,949)
	-----	-----
Cost of sales	639,716,264	529,376,934
	-----	-----
5. OTHER INCOME / (COSTS)		
Foreign exchange fluctuations	(43,339,803)	(35,057,563)
Interest income	210,350	30,457
Other Income	47,023	3,055,000
	-----	-----
	(43,082,431)	(31,972,106)
	-----	-----
6. ADMINISTRATIVE EXPENSES		
Accountancy fees	2,227,200	2,266,200
Audit fees	330,600	285,000
Bank charges	519,027	488,592
Computer expenses	438,910	226,764
Directors' remuneration	18,017,628	10,451,874
Immigration & work permit expenses	1,503,367	751,240
Insurance	3,686,348	2,758,120
License	62,500	69,500
Motor vehicles running expenses	438,749	444,857
Postage, telephone and internet	1,045,650	967,589
Printing & stationery	123,768	205,855
Professional fees	923,884	62,714
Rent expenses	3,482,707	7,242,697
Salaries and wages	43,231,453	45,654,076
Secretarial fees	6,000	19,928
Staff welfare	1,711,611	1,149,294
Subscription	10,000	10,000
Travelling expenses	5,713,893	3,458,972
Training & development	547,471	31,334
	-----	-----
	84,020,764	76,544,605
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	K Sh	K Sh
7. SELLING AND DISTRIBUTION EXPENSES		
Marketing expenses	68,297,813	48,431,714
Salaries and wages	65,180,177	52,879,004
Travelling expenses	34,028,752	21,859,309
	-----	-----
	167,506,742	123,170,027
	=====	=====
8. DEPRECIATION CHARGE		
Computer & computer equipments	591,240	60,396
Motor vehicles	520,946	753,920
Office equipment	52,718	6,481
Furniture, fittings & equipment	379,313	4,039
Right of use asset	3,114,507	-
	-----	-----
	4,658,724	824,836
	=====	=====
9. FINANCE COST		
Interest on loan	-	517,449
Foreign exchange fluctuations	-	1,434,003
Finance charge on leases	2,050,191	-
	-----	-----
	2,050,191	1,951,452
	=====	=====
10. TAX		
This comprises:		
Current tax	63,105	9,137
Deferred tax charge - Note 13	8,778,219	11,552,831
	-----	-----
Tax charge	8,841,324	11,561,968
	=====	=====
The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	24,877,158	34,071,006
	-----	-----
Tax calculated at the rate of 30%	7,463,148	10,221,302
Tax effects of :-		
Expenses not deductible for tax purposes	1,377,841	1,340,220
Permanent difference on motor vehicles restriction	335	446
	-----	-----
Tax charge	8,841,324	11,561,968
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

11. FURNITURE, EQUIPMENT AND VEHICLES

	Furniture & Equipment K Sh	Office Equipment K Sh	Motor Vehicles K Sh	Computers & Related Equipments K Sh	Total K Sh
COST					
As at 01 April 2021	55,125	70,296	7,852,060	256,820	8,234,301
Additions	3,006,232	376,379	-	1,829,875	5,212,486
Disposal	-	-	(1,000,000)	-	(1,000,000)
As at 31 March 2022	3,061,357	446,675	6,852,060	2,086,695	12,446,787
DEPRECIATION					
As at 01 April 2021	26,851	24,928	5,590,300	115,896	5,757,975
Disposal	-	-	(822,022)	-	(822,022)
Charge for the year	379,313	52,718	520,946	591,240	1,544,217
As at 31 March 2022	406,164	77,646	5,289,224	707,136	6,480,170
CARRYING VALUES					
As at 31 March 2022	2,655,193	369,029	1,562,837	1,379,559	5,966,617
As at 31 March 2021	28,274	45,368	2,261,760	140,924	2,476,325

12. RIGHT-OF-USE ASSET

	Opening Balance K Sh	Additions during the Year K Sh	Deletions during the Year K Sh	Depreciation during the Year K Sh	Closing Balance K Sh
Rental Unit No. T402 4th floor Park Place	-	32,702,327	-	3,114,507	29,587,820
Total - Note 18	-	32,702,327	-	3,114,507	29,587,820

Right-of-use asset represents the ongoing long-term lease held by the company as a lessee. The carrying value represents the unutilized portion of the lease. The depreciation during the year represents the portion applicable for the lease rentals for the year.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

13. DEFERRED TAX	2022	2021	
	K Sh	K Sh	
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	(40,242,757)	(51,795,588)	
Charge to profit or loss - Note 10	8,778,219	11,552,831	
	-----	-----	
At end of year	(31,464,538)	(40,242,757)	
	-----	-----	
Deferred tax asset and deferred tax charge in the statement of profit or loss is attributable to the following items:			
	01-Apr-21	Charge to	31-Mar-22
	K Sh	P / L	K Sh
Deferred tax asset		K Sh	
Accelerated tax depreciation	(3,651)	(54,666)	(58,317)
Tax losses carried forward	(39,387,713)	11,892,652	(27,495,061)
Unrealised exchange differences	(851,393)	(3,059,767)	(3,911,160)
	-----	-----	-----
Net deferred tax asset	(40,242,757)	8,778,219	(31,464,538)
	=====	=====	=====
14. INVENTORIES			
Stock-in-trade	469,982,234	192,557,326	
Merchandise-in-transit	135,363,437	42,791,623	
	-----	-----	
	605,345,670	235,348,949	
	=====	=====	
15. TRADE AND OTHER RECEIVABLES			
Trade receivables	315,105,273	314,850,423	
Other receivables	14,963,667	16,288,103	
Prepayments	2,543,166	1,915,500	
	-----	-----	
	332,612,106	333,054,026	
	=====	=====	
16. CASH AND CASH EQUIVALENTS			
Cash in hand	163,780	195,398	
Balances at bank	13,189,576	25,796,804	
	-----	-----	
	13,353,356	25,992,202	
	=====	=====	

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 2022

	2022	2021
	K Sh	K Sh
17. SHARE CAPITAL		
Authorized, issued & fully paid-up:		
1,000 Ordinary Shares of K Sh 100 each	100,000	100,000
	=====	=====
18. LEASE LIABILITIES		
Lease liabilities in the statement of the financial position are made up as follows:		
Opening balance	-	-
Adoption of IFRS 16 (see note 12 for corresponding asset)	32,702,327	-
Finance charge	2,050,191	-
Less: Lease payments during the year	(3,413,880)	-
	-----	-----
Balance at end of the year	31,338,638	-
	=====	=====
Made-up as follows:		
Non-current - payable after 12 months	24,374,323	-
Current - payable within the next 12 months	6,964,315	-
	-----	-----
	31,338,638	-
	=====	=====
19. TRADE AND OTHER PAYABLES		
Trade payables	9,834,673	6,140,435
Provisions and accruals	26,034,681	18,198,273
Balance due to related party - Note 21	1,052,641,634	730,359,929
	-----	-----
	1,088,510,989	754,698,638
	=====	=====
20. CASH (USED IN) / GENERATED FROM OPERATIONS		
Reconciliation of profit before tax to cash (used in) / generated from operations:		
Profit before tax	24,877,158	34,071,006
Adjustments for:		
Depreciation	4,658,724	824,836
Effect of exchange rate fluctuations	(43,339,803)	(35,057,563)
Finance charge on leases	2,050,191	-
Gain on disposal of motor vehicle	(47,023)	-
Interest expense	-	517,449
Changes in working capital:		
Increase in inventories	(369,996,721)	(56,585,795)
Decrease / (increase) in receivables	441,920	(21,875,815)
Increase in payables	333,812,351	98,420,719
	-----	-----
Cash (used in) / generated from operations	(47,543,203)	20,314,836
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

	2022	2021
	K Sh	K Sh

21. 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	932,870,009 =====	607,555,497 =====
Interest charged on loan	- =====	517,449 =====

The following amounts are due to related parties:

Payables to related party - Note 19

Sun Pharmaceuticals Industries Ltd	1,052,641,634 =====	730,359,929 =====
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22. STAFF COST

Directors' remuneration	18,017,628 -----	10,451,874 -----
Salaries and wages - Administrative	43,231,453	45,654,076
Salaries and wages - Marketing	65,180,177	52,879,004
Staff welfare	1,711,611 -----	1,149,294 -----
	110,123,240 =====	99,682,374 =====

The average number of staff in employment during the year was 64 (2021:60).

23. INCORPORATION AND DOMICILE

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

24. 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 2022

25. 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.