

**Audit Company "Best-Audit"  
Since 1994**

Member of Moscow Chamber of Auditors

Our Ref. No. 79 dated March 30, 2016

**to Members of Sun Pharmaceutical  
Industries LLC  
Executive body of the Company**

## Audit Opinion

### Information on the audited company

Full name according to constituent documents:	Limited Liability Company Sun Pharmaceutical Industries (hereinafter referred to as Sun Pharmaceutical Industries LLC)
Location address:	Russian Federation, 129223, Moscow, prospect Mira Str., 119, bldg. 537/6, suite 62
OGRN (main state registration number):	1077762356770

### Information on auditor

Full name according to constituent documents :	Audit Company "Best-Audit" JSC
Location address:	Moscow, Profsoyuznaya Str., 57, floor 7 phone +7(495) 334-43-19, fax +7(495) 332-03-82, e-mail: post@best-audit.ru
OGRN (main state registration number):	1027700591027
Name of self-regulating association of auditors:	Nonprofit partnership "Moscow Chamber of Auditors"
ORNZ (principal number of registration entry) in the Register of auditors and audit companies:	10303000020

We carried out the audit of the attached annual accounting statements of Sun Pharmaceutical Industries LLC, comprising the Balance Sheet as at the 31<sup>st</sup> of December 2015, Profit and Loss Statement for 2015, appendices thereto (Statement of changes in equity, Statement of cash flow, Notes to the Balance Sheet and Profit and Loss Statement) for 2015.

### Liability of the audited company for the accounting statements.

Management of Sun Pharmaceutical Industries LLC on behalf of:

- Deputy Director Sinarevsky P.A. is responsible for preparation and reliability of indicated accounting statements in compliance with accounting rules applicable in the Russian Federation and for internal control system, which is necessary to prepare the accounting statements without substantial deviations due to unfair acts or errors.

## **Liability of auditor.**

Our liability is referred to expressing of opinion on accuracy of annual accounting statements on the basis of audit carried out by us. We conducted the audit in compliance with federal standards of audit business. Such standards require to comply with applicable ethical norms, and to plan and conduct the audit as to obtain a sufficient certainty that the accounting statements do not contain substantial deviations.

The audit comprised the audit procedures aimed at obtaining of audit evidences confirming the figures in the annual accounting statement and disclosure of information therein. The choice of audit procedures is a subject matter of our discussion, which is based on the assessment of a risk of substantial deviations made due to unfair acts or errors. During the assessment of such risk we reviewed the internal control system, ensuring preparation and accuracy of annual accounting statements, in order to choose respective audit procedures, but not in order to express an opinion on efficiency of internal control system.

Audit also comprised the assessment of diligence of applied accounting policy and justification of estimated figures, obtained by the management of the audited company, and assessment of general presentation of the annual accounting statements.

We believe that the audit evidences obtained during audit afford the sufficient grounds to express an opinion on the accuracy of the attached annual accounting statements.

## **Opinion of Auditor**

In our opinion, the attached annual accounting statements express accurately in all material respects the financial standing of Sun Pharmaceutical Industries LLC as at the 31st of December 2015, results of its financial and business transactions and cash flow for 2015 in compliance with the accounting rules applicable in the Russian Federation.

## **Important circumstances**

Without changing our opinion on the accuracy of the attached annual accounting statements, we would like to turn the attention of the concerned persons to the fact that the amount of net assets of Sun Pharmaceutical Industries LLC is less than amount of its authorized capital as at 31.12.2015 and during two reported period before.

By the moment of completion of this audit, the Company implemented a number of actions aimed at improvement of its financial standing.

Such circumstances (actions) are adequately disclosed in the attached annual accounting statements of Sun Pharmaceutical Industries LLC in Section 9 of Notes to the Balance Sheet and Profit and Loss Statement.

General Director

Audit Company "Best-Audit" JSC:                      /signature/                      Egorov M.E.

*(Qualification Certificate No. 03-000007, ORNZ (Principal Number of Registration Entry – 29403009516)*

March 30, 2016

Seal:

Joint Stock Company Audit Company "Best-Audit"

Moscow

*Audit Opinion on Accounting Statements of Sun Pharmaceutical Industries LLC for 2015*

**Balance Sheet**  
as of **December 31 20 15**

	Form according to OKUD	Codes
	Date (day, month, year)	0710001
	According to	31   12   2015
Company <u>Limited Liability Company "Sun Pharmaceutical Industries"</u>	OKPO	83236036
Taxpayer identification number _____	INN	7728638440
Authorized business <u>Wholesale trade in pharmaceuticals and medical goods</u>	Acc. to OKVED	51.46.1
Incorporation form/ownership _____	Acc. to OKOPF/OKFS	12300   34
<u>Limited Liability Company/Joint private and foreign property</u>	Acc. to OKEI	384
Unit of measurement: thousand rubles		
Location (address) <u>129223, Moscow, Mira prospekt, No. 119, bldg. 537/6, suite 62</u>		

Notes	Line description	Code	as of December 31_2015	as of December 31_2014	as of December 31_2013
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets	1110			
	R&D Results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
1	Fixed assets	1150	490	1 279	2 462
	Income-bearing investments into tangible assets	1160	0	0	0
	Financial investments	1170	0	0	0
	Deferred tax assets	1180	15 737	9 157	5 284
	Other non-current assets	1190	0	0	0
	Total for Section I	1100	16 227	10 436	7 746
	<b>II. CURRENT ASSETS</b>				
2.1	Inventories	1210	11 862	133 946	186 490
	Including: Materials	12101	90	157	481
	Goods	12102	11 634	133 676	185 850
	Deferred expenses	12103	138	113	159
	Value Added Tax on purchased valuables	1220	-	-	6 909
3.1	Accounts receivable	1230	135 862	243 188	205 040
	Including:				
	Settlements with suppliers and contractors	12301	615	1 697	594
	Settlements with buyers and customers	12302	122 849	215 886	172 271
	Settlements for taxes and levies	12303	7 702	18 058	22 800
	Settlements for social insurance and security	12304	334	219	213
	Settlements with staff for salary	12305	-	49	-
	Settlements with accountable persons	12306	2	2	-
	Settlements with staff for other transactions	12307	-	-	-
	Settlements with various debtors and creditors	12308	4 360	7 277	9 162
4	Financial investments (except for cash equivalents)	1240	-	-	61 742
	Cash and cash equivalents	1250	105 819	5 768	20 397
	including:				
	Cash desk of the company	12501	-	-	-
	Current accounts	12502	105 784	5 741	20 381
	Currency accounts	12503	35	27	16
	Other current assets	1260	-	-	-
	Total for section II	1200	253 543	382 902	480 578
	<b>BALANCE</b>	1600	<b>269 770</b>	<b>393 338</b>	<b>488 324</b>



**Profit and Loss Statement**  
for January-December **20 15**

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company "Sun Pharmaceutical Industries" acc. to OKPO

Taxpayer identification number \_\_\_\_\_ INN

Authorized business Wholesale trade in pharmaceuticals and medical goods OKVED

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Joint private and foreign property acc. to OKOPF/OKFS

Units of measurement: thousand rubles acc. to OKEI

Codes		
0710002		
31	12	2015
83236036		
7728638440		
51.46.1		
12300	34	
384		

Notes	Line description	Code	For January-December 2015	For January-December 2014
	Proceeds	2110	863 266	493 176
	Including:			
	Sales of prescription drugs		863 266	493 176
5	Primary cost of sales	2120	(828 903)	(486 145)
	including:			
	primary cost of prescription drugs		(828 903)	(486 145)
	Gross profit (loss)	2100	34 363	7 031
5	Commercial costs	2210	(38 173)	(26 907)
	Including: depreciation of fixed assets	2211	(555)	(811)
	Rent of office and warehouse premises	2212	(3 845)	(3 151)
	Mandatory audit	2213	(80)	(248)
	Salaries	2214	(8 700)	(6 820)
	Insurance bonuss	2215	(2 273)	(1 674)
	Transportation and customs processing of the goods	2216	(6 522)	(5 323)
	Services for registration and expert assessment of the drugs	2217	(14 152)	(7 352)
	Other	2218	(2 046)	(1 528)
	Management costs	2220	-	-
	Sales profit (loss)	2200	(3 810)	(19 876)
	Including:			
	Sales of prescription drugs		(3 810)	(19 876)
	Profit of participation in other companies	2310	-	-
	Interest receivable	2320	-	-
	Interests payable	2330	(52)	(34)
	including:			
	Interest accrued in compliance with Art 269 of Tax Code of the Russian Federation	23301	(52)	(34)
	Other income:	2340	56 496	144 886
	including:			
	Profit concerned with exercising of right before the date of payment	23401		96 149
	Profit connected with lease (sublease) of property	23402	27	33
	Profits connected with sale of fixed assets	23403	236	0
	Income in the form of restored valuation provisions	23404	12 439	2 379
	Reimbursement of loss receivable	23405	120	544
	Exchange rate differences	23406	32 975	4 179

	Income in form of written-off accounts payable	23407	3	1 214
	Other non-sale income	23408	513	128
	Financial bonus from supplier	23409	10 183	40 260
	Other expenses	2350	(108 826)	(175 402)
	including:			
	Expenses connected with liquidation of fixed assets	23501		(376)
	Expenses connected with sale of fixed assets	23502	(236)	
	Expenses connected with exercising of right of claim before the date of payment	23503		(70 946)
	Expenses in form of created valuation provisions	23504	(21 631)	(3 791)
	Banks fee	23505	(844)	(469)
	Fines, penalties and forfeitures payable	23506	(8)	(13)
	Losses of previous years	23507	-	(451)
	Exchange rate differences	23508	(61 317)	(57 819)
	Taxes and levies	23509	(98)	(20)
	Expenses in form of written-off accounts receivable	23510	(29)	(97)
	Other loss referred to the non-sale expenses	23511	(1 399)	(6 306)
	Donations	23512	(39)	(4 823)
	Destruction of drugs	23513	(12 608)	(23 218)
	Financial bonus according to the terms of agreement	23514	(10 617)	(7 073)
	Profit (loss) before taxation	2300	(56 192)	(50 426)
	Current profit tax	2410	-	-
	Including permanent tax liabilities (assets)	2421	(4 658)	(6 212)
	including:			
	permanent tax liabilities (assets)		(4 658)	(6 212)
	Changes in deferred tax liabilities	2430	-	-
	Change in deferred tax assets	2450	6 580	3 873
	including:			
	deferred tax assets		6 580	3 873
	Other	2460	-	-
	Net profit (loss)	2400	(49 612)	(46 552)



**Statement of changes in equity  
for January-December 2015**

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company "Sun Pharmaceutical Industries" acc. to OKPO

Taxpayer identification number \_\_\_\_\_ INN

Authorized business Wholesale trade in pharmaceuticals and medical goods Acc. to OKVED

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Joint private property acc. to OKOPF/OKFS

Units of measurement: thousand rubles acc. to OKEI

Codes		
0710003		
31	12	2015
83236036		
7728638440		
51.46.1		
12300		34
384		

**1. Capital flow**

Line description	Code	Authorized capital	Treasury shares redeemed from the shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Capital amount as of December 31, 2013	3100	50	-	-	-	(34 840)	(34 790)
<u>For 2014</u>							
Capital increase - total:	3210	-	-	5200	-	-	5200
including: net profit	3211	X	X	X	X	-	-
property revaluation	3212	X	X	-	X	-	-
profit referred directly to the capital increase	3213	X	X	5200	X	-	5200
additional share issue	3214	-	-	-	X	X	-
increase in nominal value of shares	3215	-	-	-	X	-	X
corporate entity restructuring	3216	-	-	-	-	-	-



Line description	Code	Authorized capital	Treasury shares redeemed from the shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Capital decrease - total:	3220	-	-	-	-	(46 552)	(46 552)
including: loss	3221	X	X	X	X	(46 552)	(46 552)
property revaluation	3222	X	X	-	X	-	-
costs referred directly to the capital decrease	3223	X	X	-	X	-	-
decrease of nominal values of shares	3224	-	-	-	X	-	-
decrease in number of shares	3225	-	-	-	X	-	-
corporate entity restructuring	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	-	-
Change of additional capital	3230	X	X	-	-	-	X
Change of reserve capital	3240	X	X	X	-	-	X
Capital amount as of December 31, 2014	3200	50	-	5200	-	(81 392)	(76 142)
<u>For 2015</u>							
Capital increase - total:	3310	-	-	-	-	-	-
including: net profit	3311	X	X	X	X	-	-
property revaluation	3312	X	X	-	X	-	-
profit referred directly to the capital increase	3313	X	X	-	X	-	-
additional share issue	3314	-	-	-	X	X	-
increase in nominal value of shares	3315	-	-	-	X	-	X
corporate entity restructuring	3316	-	-	-	-	-	-
Capital decrease - total:	3320	-	-	-	-	(49 612)	(49 612)
including: loss	3321	X	X	X	X	(49 612)	(49 612)
property revaluation	3322	X	X	-	X	-	-
costs referred directly to the capital decrease	3323	X	X	-	X	-	-
decrease of nominal values of shares	3324	-	-	-	X	-	-
decrease in number of shares	3325	-	-	-	X	-	-
corporate entity restructuring	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	-	-
Change of additional capital	3330	X	X	-	-	-	X
Change of reserve capital	3340	X	X	X	-	-	X
Capital amount as of December 31, 2015	3300	50	-	5 200	-	(131 004)	(125764)

## 2. Corrections due to changes in accounting policy and correction of errors

Line description	Code	As of December 31 2013	Changes in capital for 2014		As of December 31 2014
			for the account of net profit (loss)	for the account of other factors	
<b>Total capital</b>					
before corrections	3400	-	-	-	-
correction due to:					
changes in accounting policy	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after corrections	3500	-	-	-	-
including:					
Undistributed profit (uncovered loss):					
before corrections	3401	-	-	-	-
correction due to:					
changes in accounting policy	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after corrections	3501	-	-	-	-
before corrections	3402	-	-	-	-
correction due to:					
changes in accounting policy	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after corrections	3502	-	-	-	-



**Cash flow Statement**  
as of January-December 20 15

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company Sun Pharmaceutical Industries acc. to OKPO

Taxpayer identification number \_\_\_\_\_ INN

Authorized business Wholesale trade in pharmaceuticals and medical goods acc. to OKVED

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Joint private property and foreign property acc. to OKOPF/OKFS

Units of measurement: thousand rubles acc. to OKEI

Codes		
0710004		
31	12	2015
83236036		
7728638440		
51.46.1		
12300		34
384		

Line description	Code	For January-December 2015	For January-December 2014
<b>Proceeds from current transactions</b>			
Total proceeds	4110	951 420	500 323
including:			
Sale of products, goods, works and services	4111	933 870	443 346
Rent payments, license payments, royalties, commission and other similar payments	4112	97	-
Resale of financial investments	4113	-	-
	4114	-	-
Other proceeds	4119	17 453	56 977
Total payments	4120	(851 611)	(520 163)
including:			
To suppliers (contractors) for raw stuff, materials, works, services	4121	(840 332)	(429 125)
To staff as remuneration	4122	(11 086)	(6 456)
Interest on loan	4123	-	0
Corporate tax	4124	-	0
	4125	-	0
Other payments	4129	(193)	(84 582)
Balance of cash flow of current transactions	4100	99 809	(19 840)
<b>Cash flow of investment transactions</b>			
Total proceeds	4210	234	-
including:			
Sale of non-current assets (except for financial investments)	4211	234	-
Sale of shares (participatory interests) held in other companies	4212	-	-
Repayment of issued loans, sale of debt securities (rights on claim of financial assets to the third parties)	4213	-	-
Dividends, interest on loan financial investments and similar proceeds of participation in other Companies	4214	-	-
	4215	-	-
Other proceeds	4219	-	-
Total payments	4220	-	-
including:			
acquisition, creation, upgrade, reconstruction and preparation for use of non-current assets	4221	-	-
Acquisition of shares in other companies (participatory interests)	4222	-	-
Acquisition of debt securities ( rights on claim of financial assets to the third parties ), issue of loans to other parties	4223	-	-
Interest on loan liabilities, included into cost of investment assets	4224	-	-
	4225	-	-
Other payments	4229	-	-
Balance of cash flow of investment transactions	4200	234	-



# SUN PHARMACEUTICAL INDUSTRIES

Moscow, 129223, Prospekt Mira Str., 119, bldg. 537/6, suite 62  
Telephone: (495) 234-56-11

## NOTES to the Balance Sheet and Profit and Loss Statement of Sun Pharmaceutical Industries LLC for 2015

### 1. General Provisions.

#### Information on incorporation form, name and officers

Full name of the company: Limited Liability Company Sun Pharmaceutical Industries

Short name: Sun Pharmaceutical Industries LLC

Name in foreign language (English): «Sun Pharmaceutical Industries» Limited

INN 7728638440 KPP 772801001-before 28.07.2015 KPP 771701001- since 29.07.2015

Director: Kanniputur Kuppaswami Kamalakkannan, citizen of the Republic of India

Chief Accountant – Syrkasheva Olga Vladimirovna

#### Information on address (location)

##### ***before July 28, 2015***

Location of the company: 117420, Moscow, Profsoyuznaya Str., 57, office 737

Address of permanent executive body:

117420, Moscow, Profsoyuznaya Str., 57, office 737

Contact telephone/fax: (495) 332-02-76

##### ***since July 29, 2015***

Location of the Company: 129223, Moscow, prospekt Mira Str., 119, building 537/6

Address of permanent executive body:

129223, Moscow, prospekt Mira Str., 119, building 537/6, suite 62

Contact telephone/fax: (495) 234-56-11

#### Information on capital

Amount of the authorized capital - 50thousand rubles (paid by 100%).

#### Information on incorporation of the legal entity and registration authority

Date of registration - 12.11.2007

Main State Registration Number (OGRN) 1077762356770

Registration authority: Interdistrict Inspectorate of the Federal Tax Service of Russia No. 46 in the city of Moscow

#### Information on record with tax authority

Tax authority: Inspectorate of Federal tax Service No. 28 in the city of Moscow (code 7728)

Date of registration: 12.11.2007

Certificate of registration: series 77 No. 008605715 before 28.07.2015,

Tax authority: Inspectorate of Federal tax Service No. 17 in the city of Moscow (code 7717)

Date of registration: 29.07.2015

Certificate of registration: series 77 No. 017228646 since 29.07.2015,

#### Information on founding members

Number of founding members - 2, including legal entities - 1, individuals - 1.

Founding member – foreign legal entity: Sun Pharmaceutical Industries Limited, manufacturer of pharmaceuticals

Country of incorporation: Republic of India

Address: SPARK, Tandalia, Baroda-390 020, Gujarat, INDIA

Date of registration: 01.03.1993

Registration number: 04-19050

Registration authority: Department of Registration of Business Companies of Gujarat

Amount of contribution to the authorized capital by the founding member: 49 500 rubles.

Founding member - individual: Sinarevsky Pavel Alexandrovich, citizen of the Russian Federation before September 17, 2015,

Residence address in the Russian Federation: Moscow

Amount of contribution to the authorized capital by the founding member: 500 rubles.

On the eighteenth of September 2015 the number of the founding members changed due to termination of rights of the individual member on the legal entity. Share in the authorized capital with nominal value of 500 (five hundred rubles 00 kopecks) was transferred to the founding member Sun Pharmaceutical Industries Limited in virtue of agreement of purchase and sale of share in the authorized capital, executed between the members of Sun Pharmaceutical Industries LLC on 14.09.2015.

#### Information on businesses and licenses

Main business – wholesale trade in pharmaceuticals and medical goods (OKVED code - 51.46.1)

License for pharmaceutical business No. FS-99-02-003214 dated 30.07.2013, issued by Federal Service for supervision in the field of healthcare, without limitation in time, to exercise at the address: 117420, Moscow, Profsoyuznaya Str., 57, office 737 and at the address: 109428, Moscow, Ryazansky prospekt, 16, bldg. 3, suite 1

License for pharmaceutical business No. FS-99-02-004990 dated 15.10.2015, issued by Federal Service for supervision in the field of healthcare, without limitation in time, to exercise at the address: 129223, Moscow, Prospekt Mira Str., 119, bldg. 537/6 and at the address: 109428, Moscow, Ryazansky prospekt, 16, bldg. 3, suite 1

Number of employees as at the reported date - 9 persons

#### Information on detached divisions

The company operates it detached division – warehouse of pharmaceuticals located at the address: 109428, Moscow, Ryazansky prospekt, 16, bldg. 3, suite 1 (KIII 772145001)

The detached division does not have a status of a legal entity, it does not own detached property, separate balance, and current accounts opened in the banks.

## **2. Information on business**

The company is not referred to the small business enterprises, it applies a general taxation regime and uses PBU 18/02 “Profit tax accounting”.

The company carried out trade business – wholesale trade in drugs, during the reported year.

The Company did not carried out investment business during the reported year.

### **3. Main elements of accounting policy of the Company.**

Accounting statements for 2015 were prepared in compliance with the requirements of Russian laws with respect to preparation and presentation of the accounting statements, and Accounting policy of the Company, approved by Order dated 25.12.2014 No. 14, which is prepared according to requirements of Federal Law dated 06.12.2011 No. 402-FZ "On accounting", Accounting regulation "Accounting Policy of Companies" PBU 1/2008, approved by the Order of the Ministry of Finance of the Russian Federation dated 06.10.2008 No. 106n, Accounting regulation "Accounting records of companies" PBU 4/99, approved by the Order of the Ministry of Finance of the Russian Federation dated 06.07.1999 No. 43n, Order of the Ministry of Finance of the Russian Federation dated 02.07.2010 No. 66n "On forms of accounting", and in compliance with PBU 8/2010 "Estimated liabilities, contingent liabilities and contingent assets", approved by the Order of the Ministry of Finance of the Russian Federation dated 13.12.2010 No. 167n and any other regulations and accounting methodical documents.

#### Organizational and technical aspects of accounting policy

- Accounting and tax accounting are carried out by accounting department under the management of Chief Accountant;
- The accounting is carried out with the help of special accounting software 1C: Enterprise UPP 8.2.
- As working chart of accounts, the Company uses the chart of accounts from 1C software, which is created on the basis of model Chart of accounts approved by the Order of the Ministry of Finance of the Russian Federation dated 31.10.2000 No. 94n
- The Company uses the ledgers for accounts and tax records generated by 1C software.

#### **Main elements of accounting policy for the purposes of accounting:**

- Accounting of property, liabilities and business transactions is carried out in Russian rubles and kopecks;
- The figure of 10 per cent is a materiality guideline;
- The unified forms approved by the State Statistics Committee of Russia are used as the forms of primary accounting documents. In addition, the Company uses the forms generated by 1C software;
- The forms indicated in appendix to the Order of the Ministry of Finance of Russia dated 02.07.2010 No. 66n are used as accounting records forms;
- Document flow Schedule is subject to approval by a separate order of Director;
- Inventory taking of assets and liabilities is carried out in compliance with the procedure approved by the Order of the Ministry of Finance of Russia dated 13.06.95 No. 49. The terms of inventory taking for the selected types of assets and liabilities are subject to separate orders of Director;
- Limit cost of assets recognized within the fixed assets is 40 000 rubles;
- A single method of depreciation accrual, i.e. linear method, is used for all fixed assets;
- Useful life of fixed assets is determined proceeding from the Classification of fixed assets, included into depreciation groups, approved by the Order of the Government of the Russian Federation dated 01.01.02 No. 1;
- Provision for repair of fixed assets is not formed;
- Expenses for the repair are recorded in the accounts of the reported period, during which such repairs were done;
- A single method of depreciation accrual, i.e. linear method, is used for all intangible assets;
- Stock number is a unit of account of materials;
- The materials are recognized by actual prices;
- In order to assess all materials, when they are transferred to operation or for the other purposes, the Company uses a single method, i.e. average primary cost method;
- Transport and procurement expenses during the purchase of goods are included into the primary cost of the purchased goods;



- The primary cost of the purchased goods is formed in account 15 “Procurement and purchase of tangible assets” without using account 16 “Deviation in cost of tangible assets”;
- In order to evaluate all goods, when they are transferred to sale or other purposes, the Company uses a single method – cost of goods is transferred to expenses at their average primary value;
  - Special tooling and overalls are recognized in manner prescribed for the accounting of materials and supplies inventories;
- Expenses for obtaining of loans are recognized to the full amount in the reported period, when such expenses were incurred;
  - The Company creates the Provision for doubtful debts and Provision for decrease in value of inventories;
- Permanent and temporary differences are recorded in the accounts on the basis of primary accounting documents, immediately in tax accounts, which names and designations are similar to such accounts;
- The amounts of deferred tax asset and deferred tax liability are recorded in detailed manner in accounts.

### **Main principles of accounting policy for the purposes of taxation:**

#### Accounting policy with respect to profit tax

- The facilities complying with the requirements of Articles 256 and 257 of Tax Code of the Russian Federation, which useful life is more than 12 months and primary cost is more than 40 thousand rubles, are recognized within the depreciated assets;
- Multiplying factors and decreasing factors of depreciation are not used;
- When selling the bought-in goods, their acquisition cost is determined according to average cost;
- Provisions (for repairs of fixed assets, for doubtful debts, for warranty repairs and maintenance) are not formed;
- Interests on loans are included into costs in amount not more than discount rate of the Central Bank of the Russian Federation multiplied by 1.5 – for liabilities in rubles and 22 per cent per annum for liabilities in foreign exchange (before 31.07.2009), and since 01.08.2009 – within discount rate of the Central Bank of the Russian Federation multiplied by 2 for liabilities in rubles and 22 per cent per annum for liabilities in foreign exchange;
  - Three, six and nine months of the calendar year are regarded as reported periods for the purposes of profit tax;
  - Settlements for profit tax are made by payment of monthly advance payments;
- Profit and loss are recognized by accrual method;
- The acquisition cost of goods for sale comprises the purchase price of the goods, customs fees and levies, costs for delivery of the goods to the company’s warehouse, other costs related to acquisition of the goods;
  - The cost of the acquired goods is recorded with account 15 and without using account 16;
  - The taxes accrued to the detached division are paid by the head company at place of its location;
- Taxable profit falling to the detached division located in other place than the head company, is determined pro rata to the staff strength;

#### Accounting policy for value added tax

- The transactions imposed at the rates 10 and 18 per cent, and exempt transaction are recorded separately in accounting and tax accounting ledgers;
- For goods (works, services, proprietary interests), used both in transactions subject to VAT and exempt transactions, the deduction amount is determined pro rata to the value of goods (works, services, proprietary interests), shipped during the reported quarter and subject to VAT, within the total value of goods (works, services, proprietary interests), shipped during the reported quarter;
  - The detached divisions do not issue pro forma invoices and do not keep purchase ledgers and

sales ledgers;

- Tax accounting data are collected in tax accounting ledgers on the basis of the primary documents, including the accounting certificates.

#### **4. Main exponents of Company's business and information on financial standing.**

The Company carried out business of wholesale trade in drugs during 2015.

The Company got the proceeds of sales in the amount of 863 266 thousand rubles in 2015, the primary cost of the sales was 828 903 thousand rubles, and the Company incurred costs concerned with main business of 38 173 thousand rubles in total. The loss of sales in the amount of 3 810 thousand rubles was incurred in the reported year.

In 2015 the other accounting costs amounted to 56 496 thousand rubles, other costs amounted to 108 826 thousand rubles. The loss of non-sale transactions amounted to 52 330 thousand rubles.

Within other revenues and expenses, the main part falls to exchange rate differences and costs concerned with destruction of the expired drugs. Profit of exchange rate differences amounted to 32 975 thousand rubles, loss of exchange rate differences amounted to 61 317 thousand rubles; loss connected with destruction of the expired drugs amounted to 12 608 thousand rubles. Loss of the exchange rate differences amounted to 28 342 thousand rubles. The financial bonuses of 10 183 thousand rubles were provided to the buyers during the reported year.

Upon the results of the reported year, the loss before taxation for accounting amounted to 56 192 thousand rubles.

The loss in tax accounting amounted to 32 756 thousand rubles.

Clearing off of deferred tax assets - 6 932 thousand rubles. Recognition of deferred tax assets - 13 512 thousand rubles. Provisional profit tax income - 17 247 thousand rubles. Provisional profit tax loss - 6 009 thousand rubles. Permanent tax asset - 2 488 thousand rubles. Permanent tax liability -7 146 thousand rubles. Change in deferred tax liabilities - 6 580 thousand rubles.

Net loss in accounting amounted to 49 612 thousand rubles.

The proceeds and payments are recorded in section "Cash flow of current transactions" of Cash Flow Statement with consideration of the comparability for 2014 and 2015 without consideration of VAT.

VAT amount is indicated in a compressed form in line 4119 "Other revenue":

- for 2014 - 56 977 thousand rubles

- for 2015 - 16 168 thousand rubles.

#### Comparison of main components, characterizing the financial standing of the Company, against the same exponents of the previous year:

In 2014 the Company got the sales revenue amounted to 493 176 thousand rubles, primary cost of sales was 486 145 thousand rubles, total amount of loss incurred of the main business was 26 907 thousand rubles, loss of sales was 19 876 thousand rubles. During the reported year the sales revenue grew by 370 090 thousand rubles, which is by 75 % more than in the previous year. Share of primary cost within the sales revenue decreased by 2,55% at the background of growth by 70,51 %. Share of selling costs within the sales revenue decreased by 1,04% at the background of growth by 41,87 %. Gross profit grew by 388,74 % in the reported period.

In 2014 other profit in accounting amounted to 144 886 thousand rubles, other loss was - 175 402 thousand rubles. Loss of non-sale transactions amounted to 30 516 thousand rubles. The loss grew by 71,4% in comparison with the previous year.

Upon the results of 2014, the Company incurred a loss in accounts in the amount of 50 426 thousand rubles and growth of loss before taxation.

In 2014 the Company incurred a loss of 12 542 thousand rubles recorded in tax accounting. The growth of net loss amounted to 6,57% in the reported year.

#### Information on transactions in foreign exchange

In 2015 the Company carried out transactions in foreign exchange (USD): accrual of interest on loan, revaluation of assets and liabilities in foreign exchange as at the transaction date and accounts preparation

date.

The exchange rate differences in 2015 were caused by revaluation of assets and liabilities in foreign exchange (loan liabilities, liabilities to foreign supplier under the purchase of claim letter agreement, cash on currency accounts). The loss of 29 342 thousand rubles was incurred due to exchange rate differences upon the results of 2015.

Exchange rate of the Central Bank of the Russian Federation applied as at the reported date of accounting statements (as at 31.12.2015):

1 USD = 72,8827 rubles

Settlements for profit tax (application of rules of PBU 18/02).

The substantial discrepancies between the accounting and tax records are caused by the fact that the following expenses were not accepted for the purposes of taxation in the reported year (permanent differences arose):

- amounts of written-off VAT (amounts of VAT on the destroyed drugs, restored for payment to budget) - 1 216 thousand rubles
- amounts of provision for inventory depreciation (this provision is not created within tax accounting) - 5 567 thousand rubles
- amounts of provision for doubtful debts (this provision is not created within tax accounting) - 2 189 thousand rubles
- amounts of provision for bonus to buyer and current costs (this provision is not created within tax accounting) - 1 436 thousand rubles
- amounts referred to the destroyed drugs - 12 608 thousand rubles.

In addition, the temporary differences arose in the accounting due to creation of estimated liabilities for vacations in accounting records and no such creation in tax records.

Provisions and estimated liabilities

In 2015, the previous provision for doubtful debts was cleared in accounting in the amount of 2 335 thousand rubles (the buyers repaid the debt for supplied goods in the amount of 846 thousand rubles, the amount 1 489 thousand rubles of provision not used before was added to the profit of the reported period. As at 31.12.2015, the provision for doubtful debts was created in the amount of 4 523 thousand rubles. In addition, as at 31.12.2015, the provision for inventory depreciation of 7 368 thousand rubles (cost of expired drugs subject to destruction), provision for bonus to buyers - 1 403 thousand rubles, provision for annual bonus, - 144 thousand rubles, provision for current expenses - 33 thousand rubles were formed.

No provisions were created within the tax accounting.

Loan liabilities and maturity periods

The line 15103 of the Balance Sheet records the loan liabilities in rubles – in foreign exchange in the amount of USD 1 700 000 - 123 900 thousand rubles. Maturity of loans falls to April and August 2016, that is why they are transferred from non-current to current liabilities.

## 5. Explanation of information set out in the accounting statements.

### 1. Fixed Assets

#### 1.1. Fixed assets availability and flow

Line description	Code	Period	As of beg. of year		Changes for period						As of the end of year	
			Primary cost	Accumulated depreciation	Receipt	Retired items		Accrued depreciation	Revaluation		Primary cost	Accumulated depreciation
						Primary cost	Accumulated depreciation		Primary cost	Accumulated depreciation		
Total Fixed assets (without consideration of income-bearing investments into tangible assets)	5200	for 2015	2919	(1640)	-	(767)	533	(555)	-	-	2 152	(1 662)
	5210	for 2014	3482	(1020)	-	(563)	188	(808)	-	-	2 919	(1640)
Including: Vehicles	5201	for 2015	1776	(915)	-	(563)	329	(391)	-	-	1213	(977)
	5211	for 2014	2 339	(457)	-	(563)	188	(646)	-	-	1 776	(915)
Machines and equipment (except for office machines and equipment)	5202	for 2015	882	(464)	-	-	-	(164)	-	-	882	(628)
	5212	for 2014	882	(302)	-	-	-	(162)	-	-	882	(464)
Office equipment	5203	for 2015	57	(57)	-	-	-	-	-	-	57	(57)
	5213	for 2014	57	(57)	-	-	-	-	-	-	57	(57)
Other fixed assets	5204	for 2015	204	(204)	-	(204)	204	-	-	-	-	-
	5214	for 2014	204	(204)	-	-	-	-	-	-	204	(204)
Total; recognized within income-bearing investments into material valuables	5220	for 2015	-	-	-	-	-	-	-	-	-	-
	5230	for 2014	-	-	-	-	-	-	-	-	-	-
Including:	5221	for 2015	-	-	-	-	-	-	-	-	-	-
	5231	for 2014	-	-	-	-	-	-	-	-	-	-

#### 1.2. Capital investments in progress

Line description	Code	Period	As of beginning of year	Changes for period			As of the end of the period
				Costs during the period	retired	Accepted for recognition of fixed assets of cost is increased	
Total construction in progress and transactions in progress for acquisition, upgrading etc. of fixed assets	5240	for 2015	-	-	-	-	-
	5250	for 2014	-	-	-	-	-
Including:							

	5241	for 2015				
	5251	for 2014				
	5242	for 2015				
	5252	for 2014				
	5243	for 2015				
	5253	for 2014				
	5244	for 2015				
	5254	for 2014				
	5245	for 2015				
	5255	for 2014				

**1.3. Change in cost of fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation**

Line description	Code	for 2015	for 2014
Total increase in costs of fixed assets as a result of further construction, further equipping, reconstruction	5260	-	-
Including:	5261	-	-
Total decrease of cost of fixed assets as a result of partial liquidation:	5270	-	-
including:	5271	-	-

**1.4. Other use of fixed assets**

Line description	Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
Fixed assets transferred into rent, accounted in balance	5280	-	-	-
Fixed assets transferred into rent, accounted out of balance	5281	-	-	-
Fixed assets received into rent, accounted in balance	5282	-	-	-
Fixed assets received into rent, accounted out of balance	5283	704	1236	-
Real estate facilities accepted for operation and actually used, in the course of state registration	5284	-	-	-
Laid up fixed assets	5285	-	-	-
Other use of fixed assets (pledge etc.)	5286	-	-	-



### 3. Accounts receivable and Accounts payable

#### 3.1 Availability and flow of accounts receivable

Line description	Code	Period	As of beginning of period		Changes for period						As at the end of period	
			Recognized under the terms of agreement	Amount of provision for doubtful debt	Receipt		Retired			Transfer from non-current to current debt	Recognized under the terms of agreement	Amount of reserve for bad debt
					As a result of business transactions (debt amount under the transaction)	Outstanding interest, fines and other accruals	Repayment	Writing-off to finance result	Provision recovery			
Total non-current accounts receivable	5501	for 2015	-	-	-	-	-	-	-	-	-	-
	5521	for 2014	-	-	-	-	-	-	-	-	-	-
Including: Settlements with buyers and customers	5502	for 2015	-	-	-	-	-	-	-	-	-	-
	5522	for 2014	-	-	-	-	-	-	-	-	-	-
	5503	for 2015	-	-	-	-	-	-	-	-	-	-
Issued advances	5523	for 2014	-	-	-	-	-	-	-	-	-	-
	5504	for 2015	-	-	-	-	-	-	-	-	-	-
Other	5524	for 2014	-	-	-	-	-	-	-	-	-	-
	5505	for 2015	-	-	-	-	-	-	-	-	-	-
Total current accounts receivable	5525	for 2014	-	-	-	-	-	-	-	-	-	-
	5510	for 2015	245 523	(2335)	93 528	-	(198 665)	-	(2189)	-	140 386	(4524)
	5530	for 2014	209 115	(4075)	92 146	-	(55 738)	-	1740	-	245 523	(2335)
Including: Settlements with buyers and customers	5511	for 2015	218 221	(2335)	90 848	-	(181 696)	-	(2189)	-	127 373	(4 524)
	5531	for 2014	176 346	(4075)	83 750	-	(41 875)	-	1740	-	218 221	(2335)
	5512	for 2015	1697	-	601	-	(1683)	-	-	-	615	-
Issued advances	5532	for 2014	594	-	1693	-	(590)	-	-	-	1 697	-
	5513	for 2015	25 605	-	2 079	-	(15 286)	-	-	-	12 398	-
Other	5533	for 2014	32 175	-	6 703	-	(13 273)	-	-	-	25 605	-
	5514	for 2015	-	-	-	-	-	-	-	-	-	-
Total	5534	for 2014	-	-	-	-	-	-	-	-	-	-
	5500	for 2015	245 523	(2 335)	93 528	-	(198 665)	-	(2189)	X	140 386	(4524)
	5520	for 2014	209 115	(4075)	92 146	-	(55 738)	-	1740	X	245 523	(2335)

### 3.2. Availability and flow of accounts payable

Line description	Code	Period	Balance as at the beginning of period	Changes for period				Balance as at the end of period
				Receipt		Retired	Transfer from non-current to current debt	
				As a result of business transactions (debt amount under the transaction)	Outstanding interest, fines and other accruals	Repayment		
Total non-current Accounts payable	5551	for 2015	95639	28261	-	-	(123900)	-
	5571	for 2014	56240	39999	-	(600)	-	95639
including: credits								
	5552	for 2015	-	-	-	-	-	-
	5572	for 2014	-	-	-	-	-	-
loans	5553	for 2015	95639	28261	-	-	(123900)	-
	5573	for 2014	56240	39 999	-	(600)	-	95639
other	5554	for 2015	-	-	-	-	-	-
	5574	for 2014	-	-	-	-	-	-
Total current Accounts payable	5560	for 2015	373 841	184 911	-	(288 708)	123 900	393944
	5580	for 2014	466 768	235 272	152	(328 351)	-	373841
including: settlements with suppliers and contractors	5561	for 2015	293 084	184 578	-	(288 397)	-	189 265
	5581	for 2014	309 623	154 861	-	(171 400)	-	293 084
Received advances	5562	for 2015	150	-	-	(150)	-	-
	5582	for 2014	2912	150	-	(2912)	-	150
Settlements for taxes and levies	5563	for 2015	17	96	-	(57)	-	56
	5583	for 2014	42	-	12	(37)	-	17
Credits	5564	for 2015	-	-	-	-	123 900	123 900
	5584	for 2014	-	-	-	-	-	-
Interest on loan	5565	for 2015	269	237	-	(95)	-	411
	5585	for 2014	304	-	140	(175)	-	269
Other	5566	for 2015	80 321	-	-	(9)	-	80312
	5586	for 2014	153 887	80 261	-	(153 827)	-	80 321
	5567	for 2015	-	-	-	-	-	-
	5587	for 2014	-	-	-	-	-	-
Total	5550	for 2015	469 480	213 172	-	(288 708)	X	393 944
	5570	for 2014	523 008	275 271	152	(328 951)	X	469 480



**4. Financial investments**  
**4.1. Availability and flow of financial investments**

Line description	Code	Period	As of beginning of the year		Change for the period					As of the end of the period	
			Primary cost	Accumulated correction	Receipt	retired (cleared)		Accrual of interest (including bringing of primary cost to nominal cost)	Current market cost (loss of depreciation)	Primary cost	Accumulated correction
						Primary cost	Accumulated correction				
Long-term investments - total	5301	for 2015	-	-	-	-	-	-	-	-	-
	5311	for 2014	-	-	-	-	-	-	-	-	-
including:											
	5302	for 2015	-	-	-	-	-	-	-	-	-
	5312	for 2014	-	-	-	-	-	-	-	-	-
Short-term investments - total	5305	for 2015	-	-	-	-	-	-	-	-	-
	5315	for 2014	61 742	-	-	(61742)	-	-	-	-	-
Including: Assignment of claim	5306	for 2015	-	-	-	-	-	-	-	-	-
	5316	for 2014	61742	-	-	(61742)	-	-	-	-	-
Financial investments -	5300	for 2015	-	-	-	-	-	-	-	-	-
TOTAL	5310	for 2014	61 742	-	-	(61742)	-	-	-	-	-

**5. Production costs**

Line description	Code	for 2014	for 2014
Tangible costs	5610	828 903	486 145
Salaries	5620	8 700	6 820
Social security withholdings	5630	2 273	1 674
Depreciation	5640	555	811
Other costs	5650	26 645	17 602
Total by items	5660	867 076	513 052
Change (increase [-]): in production in progress, finished products etc.	5670	-	-
Change (decrease [+]): in production in progress, finished products etc.	5680	-	-
Total costs for ordinary business	5600	867 076	513 052

**6. Estimated liabilities**

Line description	Code	Balance as of beginning of year	Recognized	Retired	Written-off as excessive amount	Balance as of the end of period
Total estimated liabilities	5700	106	2227	(753)		1580
including:						
Estimated liabilities for payment of vacations	5701	106		(106)		
Estimated liabilities for payment of annual bonus	5702		144			144
Estimated liabilities for payment of bonus to buyers	5703		2004	(600)		1403
Estimated liabilities for actual costs	570		79	(47)		33

**7. Security of liabilities**

Line description	Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
Total received	5800			
including:				
	5801			
Total issued	5810	13	52	429
including:				
Security for contracts under the electronic auctions	5811	13	52	429

## **6. Information on related parties.**

Related party with respect to Sun Pharmaceutical Industries LLC is its founding member – Indian company Sun Pharmaceutical Industries LLC, owning 100 % share in the authorized capital of the Company, and fully controls its business: appoints Director, determines the nature and conditions of business, adopts resolutions on corporate restructuring or winding up of the Company.

In 2015 the related party transactions took place – there were agreements executed for supply by the founding company of drugs through the direct import contracts and imported drugs were supplied to the Russian Federation.

In addition, during the reported year, the Company got a financial bonus (credit note) for the purchases in the amount of 10 183 thousand rubles from its founding member.

## **7. Events after reporting date.**

In 2016 the Company received a writ of execution under the claim of Sun Pharmaceutical Industries LLC to Vita-pharm LLC. The court proceedings for this claim completed and the amount of fine of 68 859 rubles 22 kopecks for untimely compliance with obligation, is subject to be included into the profit of the Company in 2016.

## **8. Contingencies of business.**

The Company carried out the proceedings in execution in Arbitration of Moscow against the claim by Pharm-Syntez LLC for recovery of compensation for the infringement of exclusive rights to trademark “Octride” against Sun Pharmaceutical Industries LLC. The estimated liability for the expected loss is not recognized due to absence of determined demands, and due to signing of agreement on case w/n dated 14.03.2016, where the parties confirmed that beginning from 17.02.2016 they had no demands or claims to each other due to amicable settlement agreement. Recovery under the writ in execution of Arbitration of Moscow FS No. 007198006 dated 04.02.2016 was performed by the Company on 09.02.2016 in the amount of 11 562 690 rubles 70 kopecks and recorded within other expenses in 2016.

## **9. Results and prospects**

In 2015 the Company actively carried out the business of wholesale trading in pharmaceuticals manufactured by the Indian company Sun Pharmaceuticals Industries Limited (India).

Loss of sales amounted to 3 810 thousand rubles

Loss of non-sale transactions amounted to 52 330 thousand rubles.

Loss before taxation in accounting records amounted to - 56 192 thousand rubles

Upon results of the reported year, the Company incurred a net loss of 49 612 thousand rubles

Despite the loss incurred upon the results of 2015, the results of Company’s business can be declared positive, as the loss of sales were due to tender sales of drugs making part of essential vital drugs, which are subject to state regulation of prices.

In addition considerable loss on non-sale transactions arose as a consequence of events beyond Company’s control, namely due to sudden fall of RUR/USD exchange rate during the 4<sup>th</sup> quarter of 2015.

In 2015 the Company substantially extended the markets of sales of the drugs, increased considerably the number of the buyers and sales volume in comparison with 2014.

However negative net assets still remain in the Company. They amounted in 2013 to ( 34790) thousand rubles, in 2014 - (76142 ) thousand rubles, in 2015 - (125754) thousand rubles. All of that is at the background of the invariable amount of the authorized capital of 50 thousand rubles. The main reason is a loss incurred during financial and business transactions mostly due to other expenses. The main factor is the arising of negative exchange rate differences under the debt, denominated in foreign currency.

Furthermore the Company does not have any intentions to terminate or reduce substantially its business.

In addition, in order to enhance its financial standing, the Company implemented a number of actions to overcome the situation of losses:

1. The Company got the financial bonus (credit note) for the purchase volume from the supplier of goods (Sun Pharmaceutical Industries Ltd (India) in the amount of 10 183 thousand rubles. The obtained credit note reduced the amount of accounts payable of the Company for the goods and was included into non-sale revenues, thereby reducing substantially the losses for 2015.

