

SUN PHARMACEUTICAL PERU S.A.C.
FINANCIAL STATEMENTS 2016

SUN PHARMACEUTICAL PERU S.A.C.

FINANCIAL STATEMENTS AS ON DECEMBER 31, 2016

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REPORT OF INDEPENDENT AUDITORS

April 24, 2017

**To the Shareholders and Directors
SUN PHAMACEUTICAL PERU S.A.C.**

We have audited the attached Balance Sheet of SUN PHARMACEUTICAL PERU S.A.C. as on December 31 of the 2016 with the related Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended; the arrangement of such Financial Statements are the Company's Management responsibility. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Our audit was made in accordance with generally accepted Auditing Standards in Peru. Those standards require that we plan and perform our work in order to obtain reasonable guarantee that the Financial Statements are free of material misstatement. An audit includes an assessment based on selective evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles applied, and the significant estimates made by the Management; as well as evaluating an overall presentation of the Financial Statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the attached Financial Statements present fairly, in all material respects, the financial position of the company SUN PHARMACEUTICAL S.A.C. as on December 31, 2016, the results of its operations and cash flows for the year then ended in accordance with the generally accepted Accounting Principles.

Endorsed by:

GAMARRA ANTONIO MEDRANO N.

**Certified Public Accountant
Registration No. 232
Registration No. 28787
Independent Auditor**

SUN PHARMACEUTICAL PERU S.A.C.
BALANCE SHEET AS AT DECEMBER 31, 2016 AND 2015

	As at December 31, 2016		As at December 31, 2015	
	Soles	Soles	Soles	Soles
EQUITY AND LIABILITIES				
Shareholders' Funds				
Capital Stock	1,500		1,500	
Reserves and Surplus	<u>-7,759,232</u>	<u>-7,757,732</u>	<u>-6,406,500</u>	<u>-6,405,000</u>
Non Current Liabilities				
Long Term Borrowings		7,663,483		6,454,657
Current Liabilities				
Trade Payables	102,141		32,247	
Other Current Liabilities	<u>2,052</u>	<u>104,193</u>	<u>0</u>	<u>32,247</u>
Total		<u><u>9,944</u></u>		<u><u>81,904</u></u>
ASSETS				
Non Current Assets				
Fixed Assets				
Tangible Assets		7,390		12,307
Current Assets				
Cash and Cash Equivalents	2,554		68,471	
Short Term Loans and Advances	<u>0</u>	<u>2,554</u>	<u>1,126</u>	<u>69,597</u>
Total		<u><u>9,944</u></u>		<u><u>81,904</u></u>

See accompanying notes forming part of the Financial Statements

SUN PHARMACEUTICAL PERU S.A.C.

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	Year Ended December 31, 2016		Year Ended December 31, 2015	
	Soles	Soles	Soles	Soles
Revenue		<u>0</u>		<u>0</u>
		0		0
Operational Expenses				
Personal Expenses	100,274		29,768	
Marketing Expenses	930,475		662,648	
Administration and Other Expenses	402,120		186,559	
Depreciation	<u>8,474</u>	<u>1,441,343</u>	<u>17,734</u>	896,709
Operating Profit /(Loss)		-1,441,343		-896,709
Exchange Gain / (Loss) - Net		88,611		-758,515
Profit/ (Loss) Before Tax		-1,352,732		-1,655,224
Tax Expenses		0		0
Profit /(Loss) for the Year		-1,352,732		-1,655,224

See accompanying notes forming part of the Financial Statements

SUN PHARMACEUTICAL PERU S.A.C.

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015

	As At December 31, 2016 Soles	As At December 31, 2015 Soles
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (Loss) Before Tax	(1,352,732.00)	(1,655,224.00)
Adjustment for:		
Depreciation Expenses	8,474.00	17,734.00
Operating Profit Before Working Capital Changes	(1,344,258.00)	(1,637,490.00)
Changes in Working Capital:		
Increase / (Decrease) Trade Payables	71,946.00	15,167.00
Increase) / Decrease Short Term Loans and Advances	1,126.00	(1,126.00)
Cash Generated from Operations	(1,271,186.00)	(1,623,449.00)
Income Tax Paid	-	-
Net Cash Flow from Operating Activities	(1,271,186.00)	(1,623,449.00)
CASH FLOW FROM FINANCING ACTIVITIES		
Loans Received (Net)	1,208,826.00	1,672,418.00
Net Cash Flow used in Financing Activities	1,208,826.00	1,672,418.00
CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditure on Fixed Assts (Net)	3,557.27	5,508.00
Net Cash Flow Used in Investing Activities	3,557.27	5,508.00
NET INCREASE IN CASH AND EQUIVALENTS	(65,917.27)	43,461.00
CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR	68,471.00	25,009.00
CASH AND EQUIVALENTS AT END OF THE YEAR	2,553.73	68,471.00

See accompanying notes forming part of the Financial Statements

SUN PHARMACEUTICAL PERU S. A.C.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

01. OBJECTIVE, ACTIVITIES AND LEGAL ASPECT

SUN PHARMACEUTICAL PERU S.A.C. was incorporated on June 27, 2006 in compliance with the legal formalities and in accordance with the General Law of Commercial Companies duly registered on the Register of Legal Entities of Lima, on January 27, 2006 on item No. 11703068 and amendments.

The main activity of the company is devoted to the commercialization of pharmaceutical products.

Within the corporate purpose, acts related to the activities described in the preceding paragraphs that contribute to its goals achievement are included. To comply with the corporate purpose, the company may perform all legal acts and contracts without restriction or limitation

The activity of SUN PHARMACEUTICAL PERU S.A.C. is governed by the New General Law of Commercial Companies and as provided in the ARTICLES and rules of incorporation and amendments.

02. ACCOUNTING PRINCIPLES AND POLICIES

The most significant accounting principles and policies applied for registration of operations and arrangement of Financial Statements are as follows:

- a) The preparation and presentation of Financial Statements are in accordance with generally accepted accounting principles in Peru, which requires Management to make estimates and assumptions to determine the amounts of assets and liabilities and the amounts of revenues and expenses, and of contingent assets and liabilities at the date of the financial statements. If these estimates and assumptions vary in the future as a result of changes in circumstances and conditions under which they were based, the effect of such changes is recognized in profit or loss at the time such changes are identified and their effects. The main estimates related to financial statements correspond: i) estimate of allowance for doubtful accounts; ii) allowances for impairment of inventories; iii) estimate of useful life assigned to property, plant and equipment; iv) the recoverability of income tax.

b) Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any. The initial cost comprises its purchase price, and any other costs directly attributable to locating and rendering the assets fit to use. Disbursements incurred after assets have been put to use, such as repairs and the cost of maintenance and refurbishment are charged to results of period in which the costs are incurred. If it can be demonstrated clearly that such disbursement will result in future benefits deriving from use assets beyond their original performance standard, these are capitalized as an additional cost to assets. Repairs and maintenance costs are recognized in the results of period as incurred. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of profit and loss when the asset is derecognized.

c) Foreign currency transactions: Functional currency and presentation currency, Company prepares and presents its financial statements in Soles, which corresponds to its functional currency. The functional currency corresponds to primary economic environment in which the Company operates. Transactions and balances, transactions in currencies other than the functional currency are translated into the functional at the exchange rate prevailing at the date of the transactions. Differences due to adjustment of balances of assets and liabilities in foreign currencies, recorded at exchange rate when operations arise and exchange rate at the date of balance sheet are recognized in the results of period.

03. CASH AND BANKS.

AS AT DECEMBER 31

In Soles

DETAIL

2016 2015

Bank

2,554 68,471
2,554 68,471

04. SHORT TERM LOANS AND ADVANCES

AS AT DECEMBER 31

In Soles

DETAIL

2016 2015

Various Advances

0 1,126
0 1,126

05. LONG TERM BORROWINGS

AS AT DECEMBER 31

In Soles

<u>DETAIL</u>	<u>2016</u>	<u>2015</u>
Loan from Related Party	7'663,483	6'454,657
	<u>7'663,483</u>	<u>6'454,657</u>

06. TRADE PAYABLE

AS AT DECEMBER 31

In Soles

<u>DETAIL</u>	<u>2016</u>	<u>2015</u>
Payable to Foreign Related Party	74,038	0
Bills payable in national currency	28,103	32,247
	<u>102,141</u>	<u>32,247</u>

07. OTHER CURRENT LIABILITIES

AS AT DECEMBER 31

In Soles

<u>DETAIL</u>	<u>2016</u>	<u>2015</u>
Withholding Tax Payable	2,052	0
	<u>2,052</u>	<u>0</u>

08. EQUITY

AS AT DECEMBER 31

In Soles

<u>DETAIL</u>	<u>2016</u>	<u>2015</u>
Equity Capital	1,500	1,500
Retained Earnings (Earlier Years)	-6'406,500	-4'751,276
Net Income	-1'352,732	-1'655,224
	<u>- 7'757,732</u>	<u>-6'405,000</u>

At the time of its founding of the Company in 2006, it was incorporated with a capital of S /. 1,500.00 soles, which after the adjustment of its accounting formalization, according to the general balance of 2015, the capital stock was made up of S /. 1,500.00 soles, representing 150 units of common shares and a nominal value of a new sol (S / .10.00) per share.

According to the general balance sheet for 2016, the capital stock is made up of S /. 1,500.00 soles, which are represented in 150 units of common stock and a nominal value of one sol (S /10.00) per share.

09. INCOME TAX

Through the Consolidated Text of the Law on Income Tax, Supreme Decree No. 179-2004-EF and amendments, rules are established as approved by Supreme Decree No. 054-99-EF, hereinafter TUO, and related standards regulating the Income Tax, as amended by Law No. 27356, 27386 and 27394 and Law No. 27513 and Law No. 27615. This standard has been regulated by Supreme Decree No. 122-94-EF, modified by SD 194-99-EF and S.D. 045-2001-EF.

10. Previous years' Figures are regrouped wherever necessary.