

***SUN PHARMACEUTICAL  
INDUSTRIES SAC***

***FINANCIAL STATEMENTS***

***2016 - 17***

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**REPORT OF INDEPENDENT AUDITORS**

*April 24, 2017*

**To the Shareholders and Directors  
SUN PHARMACEUTICAL INDUSTRIES SAC.**

*We have audited the attached Balance Sheet of SUN PHARMACEUTICAL INDUSTRIES SAC., as on March 31, 2017 with the related Income Statement, Statement of Changes in Equity and Cash Flows 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 INDUSTRIES SAC., for the year ended March 31, 2017, the results of its operations and cash flows for the year then ended in accordance with the generally accepted Accounting Principles.***

*Endorsed by:*

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**GAMARRA ANTONIO MEDRANO N.**

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

**SUN PHARMACEUTICAL INDUSTRIES S.A.C.**  
**BALANCE SHEET AS AT MARCH 31, 2017 AND 2016**

	<b>As at March 31, 2017</b>		<b>As at March 31, 2016</b>	
	<b>Soles</b>	<b>Soles</b>	<b>Soles</b>	<b>Soles</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' Funds</b>				
Equity Capital	<b>4,342,017</b>		4,342,017	
Legal Reserves	<b>103,698</b>		103,698	
Retained Earnings	<b>-9,151,945</b>	<b>-4,706,231</b>	<b>-8,048,862</b>	<b>-3,603,148</b>
<b>Non Current Liabilities</b>				
Long Term Loan (Note 13)		<b>3,245,000</b>		0
<b>Current Liabilities</b>				
Trade Payables	<b>5,727,019</b>		774,561	
Other Current Liabilities	<b>5,563,068</b>	<b>11,290,087</b>	<b>5,672,741</b>	6,447,302
<b>Total</b>		<b><u>9,828,856</u></b>		<b><u>2,844,153</u></b>
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Fixed Assets				
Tangible Assets		<b>128,287</b>		61,979
<b>Current Assets</b>				
Inventories	<b>5,107,388</b>		0	
Trade Receivables	<b>2,491,720</b>		2,412,752	
Cash and Cash Equivalents	<b>648,260</b>		351,679	
Short Term Loans and Advances	<b>549,097</b>		2,411	
Other Current Assets	<b>904,104</b>	<b>9,700,569</b>	<b>15,332</b>	2,782,174
<b>Total</b>		<b><u>9,828,856</u></b>		<b><u>2,844,153</u></b>

See accompanying notes forming part of the Financial Statements

**SUN PHARMACEUTICAL INDUSTRIES S.A.C.**

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017 AND 2016**

	Year Ended March 31, 2017		Year Ended March 31, 2016	
	Soles	Soles	Soles	Soles
<b>Net Sales</b>		<b>750,566</b>		2,381,174
<b>Other Income</b>		<b>50</b>		57,198
		<hr/>		<hr/>
		<b>750,616</b>		2,438,372
<b>Cost of Sales</b>		<b>633,975</b>		1,149,361
		<hr/>		<hr/>
		<b>116,641</b>		1,289,011
<b>Operational Expenses</b>				
Personal Expenses	<b>754,265</b>		130,207	
Marketing and Sales Expenses	<b>383,040</b>		63,615	
Administration and Other Expenses	<b>282,857</b>		150,208	
Depreciation	<b>14,821</b>	<b>1,434,983</b>	<b>10,282</b>	354,312
		<hr/>		<hr/>
<b>Operating Profit / (Loss)</b>		<b>-1,318,342</b>		934,699
<b>Exchange Gain / (Loss) - Net</b>		<b>215,261</b>		-339,592
<b>Profit / (Loss) Before Tax</b>		<b>-1,103,081</b>		595,108
<b>Tax Expenses</b>		<b>0</b>		0
<b>Profit / (Loss) for the Year</b>		<b>-1,103,081</b>		<b>595,108</b>

**SUN PHARMACEUTICAL INDUSTRIES S.A.C.**

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017 AND 2016**

	Year Ended March 31, 2017	Year Ended March 31, 2016
	Soles	Soles
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) Before Tax	<b>-1,103,081</b>	595,108
Adjustment for:		
Depreciation Expenses	<b>14,821</b>	10,282
Operating Profit / (Loss) Before Working Capital Changes	<b>-1,088,260</b>	605,390
<b>Changes in Working Capital:</b>		
Increase / (Decrease) Trade Payables	<b>4,952,458</b>	758,572
Increase / (Decrease) Other Current Liabilities	<b>-109,673</b>	-805,551
(Increase) / Decrease Inventories	<b>-5,107,388</b>	74,256
(Increase) / Decrease Trade Receivables	<b>-78,968</b>	-2,187,076
(Increase) / Decrease Short Term Loans and Advances	<b>-546,686</b>	2,411
(Increase) / Decrease Other Current Assets	<b>-888,772</b>	-3,035
Cash Generated / (Used) from / In Operations	<b>-2,867,289</b>	-1,555,033
Income Tax Paid	<b>0</b>	0
Net Cash Generated / (Used) from / In Operating Activities	<b>-2,867,289</b>	-1,555,033
CASH FLOW FROM FINANCING ACTIVITIES		
Loans Received (Net)	<b>3,245,000</b>	0
Net Cash Flow from Financing Activities	<b>3,245,000</b>	0
CASH FLOW FROM INVESTING ACTIVITIES		
Capital Expenditure on Fixed Assts (Net)	<b>-81,130</b>	-60,845
Net Cash Flow Used in Investing Activities	<b>-81,130</b>	-60,845
NET INCREASE / (DECREASE) IN CASH AND EQUIVALENTS	<b>296,582</b>	-1,615,878
CASH AND EQUIVALENTS AT BEGINNING OF THE YEAR	<b>351,679</b>	1,967,557
CASH AND EQUIVALENTS AT END OF THE YEAR	<b>648,260</b>	351,679

See accompanying notes forming part of the Financial Statements

# SUN PHARMACEUTICAL INDUSTRIES SAC.

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017 & 2016

### 01. OBJECTIVE, ACTIVITIES AND LEGAL ASPECT

*The Company was incorporated on January 5, 2000 as RANBAXY – PRP (PERU) S.A.C. in compliance with the Legal formalities and in accordance with the General Law of Commercial Companies duly Registered on the Registered of Legal Entities of Lima, Peru on on Item No. 1145794 and amendments. The name of the Company was change to SUN PHARMACEUTICAL INDUSTRIES S.A.C. on October 17, 2016 in accordance with the archived title N° 1845450 of 10/17/2016.*

*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 the Company 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 principles and significant accounting 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.**

<u>DETAIL</u>	As at 31 MARCH In Soles	
	<u>2017</u>	<u>2016</u>
Cash	72	1,270
Bank	<u>648,188</u>	<u>350,409</u>
	<u>648,260</u>	<u>351,679</u>



**04. TRADE ACCOUNTS RECEIVABLE**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Customers	4'302,555	4'223,586
Less : Provision for Doubtful Debts	<u>1'810,834</u>	<u>1'810,834</u>
	<u>2'491,720</u>	<u>2'412,752</u>

**05. SHORT TERM LOANS AND ADVANCES**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Expenses Advance	3,562	0
Advances paid	120,461	0
Other payments	<u>425,074</u>	<u>2,411</u>
	<u>549,097</u>	<u>2,411</u>

**06. OTHER CURRENT ASSETS**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Rent deposit	65,683	11,021
Taxes (sales)	803,922	0
Customs duties payments	<u>34,499</u>	<u>4,311</u>
	<u>904,104</u>	<u>15,332</u>

**07. INVENTORIES**

	As at 31 MARCH In Soles	
	2017	2016
Finished goods (valued at cost)	5'107,388	0
	<u>5'107,388</u>	<u>0</u>

**8. FIXED ASSETS (Tangible Assets)**

**PROPERTY, PLANT AND EQUIPMENT**

*As at*  
**31 MARCH**  
*In Soles*

	<b>Opening Balances</b>	<b>Additions</b>	<b>Disposals / Retirements</b>	<b>Closing Balances</b>
<b>2016-17</b>				
Cost:				
Vehicle	60,845			60,845
Furniture	12,175	60,272		72,447
Computer equipments	45,381	19,853		65,234
Other equipments	23,208	1,005		24,213
	141,609	81,130		222,739
Accumulated depreciation:				
Vehicle	(7,099)	(12,169)		(19,268)
Furniture	(11,866)	(664)		(12,530)
Computer equipments	(45,381)			(45,381)
Other equipments	(15,284)	(1,989)		(17,273)
	(79,630)	(14,822)		(94,452)
<b>Net value</b>	<b>61,979</b>			<b>128,287</b>

**9. TRADE PAYABLES**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Payable to Foreign Related Party	586,409	757,887
Bills payable in national currency	5'140,610	16,674
	<u>5'727,019</u>	<u>774,561</u>

**10. OTHER CURRENT LIABILITIES**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Foreign entities:		
Sun Pharmaceutical Industries Ltd.	586,409	757,887
	<u>586,409</u>	<u>757,887</u>

**11. OTHER CURRENT LIABILITIES**

	As at 31 MARCH In Soles	
DETAIL	2017	2016
Taxes (sales)	0	181,512
Payments to Public Institutions	16,532	309
Payments to Pension Fund	17,284	593
Other payment for paid to employee.	231,387	16,743
Other payables	5'173,372	5'361,905
Tax rent	5,425	0
Miscellaneous Accounts Payable payments	119,068	111,679
	<u>5'563,068</u>	<u>5'672,741</u>

**12. LONG TERM LOAN**

	As on 31 MARCH In Soles	
DETAIL	2017	2016
Loan from Related Party	3'245,000	0
	<u>3'245,000</u>	<u>0</u>

### 13. EQUITY

<u>DETAIL</u>	As on 31 MARCH In Soles	
	<u>2017</u>	<u>2016</u>
Equity Capital	4'342,017	4'342,017
Legal Reserves	103,698	103,698
Retained Earnings (Earlier Years)	-8'048,862	-8'643,970
Net Income for the Year	<u>-1'103,081</u>	<u>595,108</u>
	<u>-4'706,231</u>	<u>-3'603,148</u>

At the time of its founding, in 2000, the Company had S/.4'342,017 Soles as Equity, which after its Accounting formalization, and according to the april 2015 Balance Sheet, still remained at S /. 4'342,017 Soles, representing 4'342,017 units of common shares and a nominal value of one Nuevo Sol (S / .1.00) for each share.

According to the 2016 Balance Sheet the Equity is still comprised of S /. 4'342,017 soles, representing 4'342,017 units of common shares with a nominal value of one Nuevo Sol (S / .1.00) for each share as the company has had losses since the period 2016 and 2017.

### 14. INCOME TAX

Through the Consolidated Text of Income Tax Law, Supreme Decree No. 179-2004-EF and amendments, rules are established as approved by Supreme Decree No. 054-99-EF, hereinafter TUO (for its acronym in Spanish) and related standards regulating the Income Tax, as amended by Law No. 27356, 27386 and 27394 and Law No. 27513 and 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.

15. Previous years' Figures are regrouped wherever necessary.