

SUN PHARMA EAST AFRICA LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2024

PATEL SHAH JOSHI & ASSOCIATES

P O BOX 41684 00100

NAIROBI

SUN PHARMA EAST AFRICA LIMITED

REPORT AND FINANCIAL STATEMENTS - 31 MARCH 2024

CONTENTS	PAGES
Directors and other particulars	1
Report of the directors	2
Statement of directors' responsibilities	3
Report of the independent auditors	4 & 5
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Accounting policies and notes to the financial statements	10 - 19

SUN PHARMA EAST AFRICA LIMITED

DIRECTORS AND OTHER PARTICULARS - 31 March 2024

DIRECTORS	Kamlesh Sati 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 2024.

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDEND

The profit for the year amounting to K Sh 60,036,334 (2023: loss 137,042,213) 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: 16/05/2024

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2024

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.....16/05/2024 and signed on its behalf by:

Director

Director

Date: 16/05/2024

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 for the year ended 31 March 2024, 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 for the year ended **31 March 2024** 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.

Auditors' 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

Auditors' 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
.....17/05/2024

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 March 2023

	Notes	2024 K Sh	2023 K Sh
Turnover	3	1,151,416,607	1,007,151,369
Cost of sales	4	(735,827,803)	(724,254,932)
Gross profit		415,588,803	282,896,437
Other income	5	(14,248,629)	(202,713,992)
Administration expenses	6	(89,423,821)	(88,320,685)
Selling and distribution expenses	7	(212,980,163)	(172,794,408)
Other operating expenses - Depreciation	8	(8,821,491)	(9,150,209)
Operating profit / (loss)		90,114,700	(190,082,857)
Finance cost	9	(1,318,635)	(1,706,202)
Profit / (loss) before tax		88,796,065	(191,789,059)
Tax	10	(28,759,731)	54,746,846
Net profit / (loss) after tax		60,036,334	(137,042,213)
Other comprehensive income		-	-
Total comprehensive income for the year transferred to statement of changes in equity		60,036,334	(137,042,213)

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 FOR THE YEAR ENDED 31 MARCH 2024**

ASSETS	Notes	2024 K Sh	2023 K Sh
Non-current assets			
Furniture, equipment & vehicles	11	8,604,672	9,526,407
Right-of-use asset	12	17,129,791	23,358,806
Intangible assets	13	100,050	-
Deferred tax	14	57,621,988	86,227,958
		<u>83,456,501</u>	<u>119,113,171</u>
Current assets			
Inventories	15	549,391,276	489,773,387
Trade and other receivables	16	383,365,469	336,158,221
Cash and cash equivalents	17	103,687,243	135,927,727
Tax recoverable		1,702,602	1,774,921
		<u>1,038,146,590</u>	<u>963,634,256</u>
Total assets		<u>1,121,603,091</u>	<u>1,082,747,427</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	100,000	100,000
Revenue deficit		(176,888,571)	(236,924,905)
		<u>(176,788,571)</u>	<u>(236,824,905)</u>
Non-current liabilities			
Lease liabilities	19	12,623,659	18,837,637
		<u>12,623,659</u>	<u>18,837,637</u>
Current liabilities			
Lease liabilities	19	7,532,613	7,242,889
Trade and other payables	20	1,278,235,390	1,293,491,806
		<u>1,285,768,003</u>	<u>1,300,734,695</u>
Total equity and liabilities		<u>1,121,603,091</u>	<u>1,082,747,427</u>

Report of the independent auditors - page 4 & 5

The accounting policies and notes on pages 10 to 18 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on16/03/2024 and signed on its behalf by:-

DIRECTOR

DIRECTOR

SUN PHARMA EAST AFRICA LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2024

	Share capital K Sh	Revenue reserve K Sh	Total K Sh
Balance as at 1 April 2022	100,000	(99,882,692)	(99,782,692)
Total comprehensive loss for the year	-	(137,042,213)	(137,042,213)
	-----	-----	-----
Balance as at 31 March 2023	100,000	(236,924,905)	(236,824,905)
Total comprehensive income for the year	-	60,036,334	60,036,334
	-----	-----	-----
Balance as at 31 March 2024	100,000	(176,888,571)	(176,788,571)
	=====	=====	=====

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 2024

	Notes	2024 K Sh	2023 K Sh
Operating activities			
Cash used in operations	20	(39,878,671)	(67,482,324)
Tax paid		(81,442)	(54,667)
Net cash used in operating activities		(39,960,113)	(67,536,991)
Investing activities			
Acquisition of fixed assets	11	(2,812,400)	(6,737,272)
Proceeds from disposal of fixed assets		2,011,005	650,000
Net cash used in investing activities		(801,395)	(6,087,272)
Financing activities			
Payment of lease liabilities	18	(7,242,889)	(6,964,315)
Net cash used in financing activities		(7,242,889)	(6,964,315)
Decrease in cash and cash equivalents		(48,004,397)	(80,588,578)
Movement in cash and cash equivalents			
At start of the year		135,927,727	13,353,356
Decrease during the year		(48,004,397)	(80,588,578)
Effect of exchange rate fluctuations		15,763,913	203,162,949
At end of the year	16	103,687,243	135,927,727

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 2024

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 four 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) 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 2024

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

h) 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.

i) 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.

j) 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.

k) 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.

l) 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.

m) Comparative figures

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

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

2. MEASURES FOR THE FORTHCOMING YEAR

a) Marketing Strategy

During the year 2024-25 The company intends to focus in building institutional businesses, the restructuring of the 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,Diabeto, Central Nervous Systems (CNS) and general range to push the business further with launch of 30 new products in this year. Crossland Div for the Otho Range of Products will start contributing in the business in this year. The focus will also remain to develop the outstation markets to become meaningful players in these regions. 5 upcountry expansions will open new pockets of business.

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 2024-25.

c) Staffing

During 2024-25, the company has a plan to expand field staff by 5 staff to cover more territories and in July (Under EM Head approval) expansions of 10 Pharmacy Reps & 2 Supervisors and also increased 2 office staff .

d) Cost reduction

During 2024-25, the Company will not see any major changes in the expense head.

OUTLOOK 2024-25

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 2024-25. Also budgeted Exchange rate considered was Kshs 150 and current market rate is Kshs 132, resulting in better realization.

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024	2023
	K Sh	K Sh
3. REVENUE		
Sales	1,151,416,607	1,007,151,369
	-----	-----
4. COST OF SALES		
Opening stock	489,773,387	605,345,670
Purchases	783,126,431	598,433,970
Product registration fees & regulatory expenses	12,319,262	10,248,678
Closing stock	(549,391,276)	(489,773,387)
	-----	-----
Cost of sales	735,827,803	724,254,932
	-----	-----
5. OTHER INCOME		
Foreign exchange fluctuations	(15,763,913)	(203,162,949)
Interest income	512,536	55,245
Gain on asset disposal	1,002,749	393,711
	-----	-----
	(14,248,629)	(202,713,992)
	-----	-----
6. ADMINISTRATIVE EXPENSES		
Accountancy fees	371,200	2,227,200
Amortisation	33,350	-
Audit fees	580,000	330,600
Bank charges	752,077	579,030
Computer expenses	232,928	332,053
Directors' remuneration	17,741,263	17,502,027
Immigration & work permit expenses	200,050	400,050
Insurance	5,582,493	3,788,723
License	301,500	57,613
Motor vehicles running expenses	406,543	386,054
Postage, telephone and internet	760,884	927,303
Printing & stationery	227,966	226,241
Professional fees	1,666,141	2,236,291
Rent expenses	239,223	180,263
Repairs and maintenance	174,261	1,118,005
Salaries and wages	50,089,291	48,946,484
Secretarial fees	25,390	42,352
Staff welfare	1,911,359	1,753,141
Subscription	55,000	45,000
Travelling expenses	7,712,072	6,570,631
Training & development	360,830	671,624
	-----	-----
	89,423,821	88,320,685
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024 K Sh	2023 K Sh
7. SELLING AND DISTRIBUTION EXPENSES		
Marketing expenses	94,693,728	75,878,438
Salaries and wages	69,577,561	56,369,662
Travelling expenses	48,708,873	40,546,309
	-----	-----
	212,980,163	172,794,408
	=====	=====
8. DEPRECIATION CHARGE		
Computer & computer equipment	892,792	1,228,330
Motor vehicles	1,344,076	1,297,436
Office equipment	65,197	63,529
Furniture, fittings & equipment	290,412	331,899
Right-of-use asset	6,229,014	6,229,015
	-----	-----
	8,821,491	9,150,209
	=====	=====
9. FINANCE COST		
Finance charge on leases	1,318,635	1,706,203
	-----	-----
	1,318,635	1,706,203
	=====	=====
10. TAX		
This comprises:		
Current tax	153,761	16,574
Deferred tax charge / (credit) - Note 14	28,605,970	(54,763,420)
	-----	-----
Tax charge / (credit)	28,759,731	(54,746,846)
	=====	=====
The tax on the company's profit / (loss) before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit / (loss) before tax	88,796,065	(191,789,059)
	-----	-----
Tax calculated at the rate of 30%	26,638,819	(57,536,718)
Tax effects of :-		
Expenses not deductible for tax purposes	2,170,592	2,590,903
Permanent difference on motor vehicles restriction	(49,680)	198,969
	-----	-----
Tax charge / (credit)	28,759,731	(54,746,846)
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024**

11. FURNITURE, EQUIPMENT AND VEHICLES

	Furniture & Equipment	Office Equipment	Motor Vehicles	Computers & Related Equipments	Total
	K Sh	K Sh	K Sh	K Sh	K Sh
COST					
As at 01 April 2023	3,061,357	585,875	9,295,256	4,801,571	17,744,059
Additions during the year	-	230,000	2,249,000	200,000	2,679,000
Disposal during the year	-	(200,000)	(3,802,060)	(128,760)	(4,130,820)
As at 31 March 2024	3,061,357	615,875	7,742,196	4,872,811	16,292,239
DEPRECIATION					
As at 01 April 2023	738,063	141,175	5,402,948	1,935,466	8,217,652
Disposal	-	(46,875)	(3,037,059)	(38,628)	(3,122,562)
Charge for the year	290,412	65,197	1,344,076	892,792	2,592,477
As at 31 March 2024	1,028,475	159,497	3,709,965	2,789,630	7,687,567
CARRYING VALUES					
As at 31 March 2024	2,032,882	456,378	4,032,232	2,083,181	8,604,672
As at 31 March 2023	2,323,294	444,700	3,892,309	2,866,105	9,526,407

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

12. RIGHT-OF-USE ASSET

	Opening Balance	Depreciation for the period	Closing Balance
	K Sh	K Sh	K Sh
Rental Unit No. T402, 4th floor Park Place	23,358,806	6,229,015	17,129,791
	<u>23,358,806</u>	<u>6,229,015</u>	<u>17,129,791</u>
	=====	=====	=====

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.

13. INTANGIBLE ASSETS

	2024	2023
	K Sh	K Sh
As at 1 April 2023	-	317,083
Addition during the year	133,400	-
	<u>133,400</u>	<u>317,083</u>
As at 31 March 2024	133,400	317,083
	<u>133,400</u>	<u>317,083</u>
Amortisation		
As at 1 April 2023	-	317,083
Charge for the year	33,350	-
	<u>33,350</u>	<u>317,083</u>
As at 31 March 2024	33,350	317,083
	<u>33,350</u>	<u>317,083</u>
Net book value	100,050	-
	=====	=====

Software addition during the year relates to time-software and finger-print reader RFID-5000 A+ID.

14. DEFERRED TAX

Deferred taxes are calculated, in full, on all temporary differences under the liability method using an enacted tax rate of 30%. The movement of deferred tax account is as follows:

At start of year	(86,227,958)	(31,464,538)
Charge / (credit) to profit or loss - Note 10	28,605,970	(54,763,420)
	<u>28,605,970</u>	<u>(54,763,420)</u>
At end of year	(57,621,988)	(86,227,958)
	<u>(57,621,988)</u>	<u>(86,227,958)</u>

Deferred tax asset and deferred tax credit to profit or loss are attributable to the following items:

	01-April 23	Charge to P / L	31-March-24
	K Sh	K Sh	K Sh
Deferred tax asset			
Accelerated tax depreciation	(132,854)	418,678	285,824
Tax losses carried forward	(45,502,513)	(35,680,331)	(81,182,844)
Unrealised exchange differences	(40,592,591)	63,867,623	23,275,032
	<u>(86,227,958)</u>	<u>28,605,970</u>	<u>(57,621,988)</u>
Net deferred tax asset	(86,227,958)	28,605,970	(57,621,988)
	=====	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024	2023
	K Sh	K Sh
15. INVENTORIES		
Stock-in-trade	472,022,653	399,139,352
Merchandise-in-transit	77,368,623	90,634,034
	-----	-----
	549,391,276	489,773,387
	=====	=====
16. TRADE AND OTHER RECEIVABLES		
Trade receivables	366,078,958	320,167,418
Other receivables	14,463,342	12,045,919
Prepayments	2,823,169	3,944,884
	-----	-----
	383,365,469	336,158,221
	=====	=====
17. CASH AND CASH EQUIVALENTS		
Cash in hand	64,402	211,322
Balances at bank	103,622,841	135,716,405
	-----	-----
	103,687,243	135,927,727
	=====	=====
<p>For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the above.</p>		
18. SHARE CAPITAL		
Authorized, issued & fully paid-up:		
1,000 Ordinary Shares of K Sh 100 each	100,000	100,000
	=====	=====
19. LEASE LIABILITIES		
<p>Lease liabilities in the statement of the financial position are made up as follows:</p>		
Opening balance	26,080,526	31,338,638
Finance charge	1,318,635	1,706,203
Less: Lease payments during the year	(7,242,889)	(6,964,315)
	-----	-----
Balance at end of the year	20,156,272	26,080,526
	=====	=====
Made-up as follows:		
Non-current - payable after 12 months	12,623,659	18,837,637
Current - payable within the next 12 months	7,532,613	7,242,889
	-----	-----
	20,156,272	26,080,526
	=====	=====

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

	2024	2023
	K Sh	K Sh
20. TRADE AND OTHER PAYABLES		
Trade payables	8,681,914	13,305,925
Provisions and accruals	9,354,208	50,654,372
Related party balances - Note 22	1,260,199,269	1,229,531,509
	-----	-----
	1,278,235,390	1,293,491,806
	=====	=====
21. CASH USED IN OPERATIONS		
Reconciliation of profit / (loss) before tax to cash used in operations:		
Profit / (loss) before tax	88,796,065	(191,789,059)
Adjustments for:		
Depreciation	8,821,491	9,150,209
Amortisation	33,350	-
Effect of exchange rate fluctuations	(15,763,913)	(203,162,949)
Finance charge on leases	1,318,635	1,706,203
Gain on disposal of motor vehicle	(1,002,749)	(393,711)
Changes in working capital:		
(Increase) / decrease in inventories	(59,617,886)	115,572,284
Increase in receivables	(47,207,248)	(3,546,116)
(Decrease) / increase in payables	(15,256,416)	204,980,816
	-----	-----
Cash used in operations	(39,878,671)	(67,482,324)
	=====	=====
22. RELATED PARTY TRANSACTIONS		
The following represents transactions and balances outstanding with entities related by virtue of common directorship / ownership, carried out at arms length:		
Purchases of goods	701,801,159	624,293,932
	=====	=====
Payables to related party - Note 20		
Sun Pharmaceuticals Industries Ltd	1,260,199,269	1,229,531,509
	=====	=====
23. STAFF COST		
Directors' remuneration	17,741,263	17,502,027
	-----	-----
Salaries and wages - Administrative	50,089,291	48,946,484
Salaries and wages - Marketing	69,577,561	56,369,662
Staff welfare	1,911,359	1,753,141
	-----	-----
	121,578,210	107,069,287
	=====	=====

The average number of staff in employment during the year was 78 (2023:75).

SUN PHARMA EAST AFRICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2024

24. INCORPORATION AND DOMICILE

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

25. CURRENCY

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

26. 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.