

*Our Ref: 3487 / A1127 / SR*

***FINANCIAL STATEMENTS OF***

***ZYDUS LANKA (PVT) LIMITED***

***FOR THE YEAR ENDED***

***31<sup>ST</sup> MARCH 2022***

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF ZYDUS LANKA (PVT) LTD

#### Report on the Audit of the Financial Statements

We have audited the Financial Statements of **ZYDUS LANKA (PVT) LTD** (the Company), which comprise the Statement of Financial Position as at 31<sup>st</sup> March 2022, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies exhibited on pages 2 to 13.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standard (SLAuS) for the Audits of Non – Specified Business Enterprises (Non-SBEs), which require that we plan and perform the audit to obtain reasonable assurance about whether the said Financial Statements are free of material misstatements. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said Financial Statements, assessing the accounting principles used and significant estimates made by the management, evaluating the overall presentation of the Financial Statements, and determining whether the said Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting standard for Small and Medium sized Entities. 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. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities.

#### Respective Responsibilities of Management and Auditors

The Management is responsible for maintaining proper accounting records, preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standard for Small and Medium – sized Entities. Our responsibility is to express an opinion on these Financial Statements, based on our Audit.

#### Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, and as far as appears from our examination, proper accounting records have been kept by the Company.



**CHARTERED ACCOUNTANTS**

**COLOMBO**

**13<sup>TH</sup> MAY 2022**

**SR/RB/bn**

SR-Zydus Lanka (P) Ltd(2022)-C8



## STATEMENT OF FINANCIAL POSITION AS AT

		31.03.2022 Rs.	31.03.2021 Rs.
<b>ASSETS</b>	<b>Notes</b>		
<b>Non Current Assets</b>			
Property Plant & Equipment	3	3,39,071.94	2,01,975.33
		<u>3,39,071.94</u>	<u>2,01,975.33</u>
<b>Current Assets</b>			
Trade & Other Receivables	4	3,50,998.22	1,24,07,134.61
Cash at Bank	5	3,98,27,064.82	1,86,34,428.37
<b>Total Assets</b>		<u>4,01,78,063.04</u>	<u>3,10,41,562.98</u>
		<u>4,05,17,134.98</u>	<u>3,12,43,538.31</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital - Represented by - 3,706,304 ordinary shares	6	3,70,63,040.00	3,70,63,040.00
Accumulated (Loss) / Profit		18,91,219.98	(71,92,765.78)
		<u>3,89,54,259.98</u>	<u>2,98,70,274.22</u>
<b>Non Current Liabilities</b>			
Deferred Tax Liability	7	16,409.27	-
		<u>16,409.27</u>	<u>-</u>
<b>Current Liabilities</b>			
Trade & Other Payables	8	9,56,173.97	13,73,264.09
Income Tax Payable	9	5,90,291.76	-
		<u>15,46,465.73</u>	<u>13,73,264.09</u>
<b>Total Equity &amp; Liabilities</b>		<u>4,05,17,134.98</u>	<u>3,12,43,538.31</u>



The Notes on Pages 6 to 13 form an integral part of these Financial Statements.

I certify that the above Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

  
Director

The Financial Statements for the year ended 31st March 2022 were approved by the Board of Directors

Directors

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13<sup>th</sup> May 2022



## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Notes	31.03.2022 Rs.	31.03.2021 Rs.
Revenue	11	5,57,25,000.00	4,66,95,000.00
Cost of Sales		(3,38,94,376.00)	(3,10,41,060.00)
Gross Profit		2,18,30,624.00	1,56,53,940.00
Distribution costs		(42,63,777.00)	(1,52,38,562.00)
Administrative Expenses		(78,76,160.21)	(37,57,639.08)
Profit / (Loss) before Taxation		96,90,686.79	(33,42,261.08)
Tax Expense	12	(6,06,701.03)	-
Profit / (Loss) for the year		90,83,985.76	(33,42,261.08)

The Notes on Pages 6 to 13 form an integral part of these Financial Statements.

  
Director

The Financial Statements for the year ended 31st March 2022 were approved by the Board of Directors.

Directors

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

	Stated Capital Rs.	Accumulated (Loss) / Profit Rs.	Total Rs.
Balance as at 1 <sup>st</sup> April 2020	37,063,040.00	(3,850,504.70)	33,212,535.30
Loss for the year	-	(3,342,261.08)	(3,342,261.08)
Balance as at 31 <sup>st</sup> March 2021	37,063,040.00	(7,192,765.78)	29,870,274.22
Profit for the year	-	9,083,985.76	9,083,985.76
Balance as at 31 <sup>st</sup> March 2022	37,063,040.00	1,891,219.98	38,954,259.98

The Notes on Pages 6 to 13 form an integral part of these Financial Statements.



## CASH FLOW STATEMENT

FOR THE YEAR ENDED

		31.03.2022 Rs.	31.03.2021 Rs.
Profit / (Loss) for the year	Notes	9,690,686.79	(3,342,261.08)
<b>Adjustments:</b>			
Depreciation & Amortization	3	43,403.39	41,364.67
<b>Operating Profit before Changes in Working Capital</b>		<u>9,734,090.18</u>	<u>(3,300,896.41)</u>
<b>Net Changes in Working capital</b>			
Change in Trade & Other receivable	4	12,056,136.39	(995,929.62)
Change in Trade & Other payable	8	(417,090.12)	416,905.39
<b>Total Changes in Working Capital</b>		<u>11,639,046.27</u>	<u>(579,024.23)</u>
<b>Cash Generated from / (used in) Operations</b>		<u>21,373,136.45</u>	<u>(3,879,920.64)</u>
<b>Cash Flow From Investing Activities</b>			
Acquisition of Property Plant & Equipment	3	(180,500.00)	(46,300.00)
<b>Net Cash used in Investing Activities</b>		<u>(180,500.00)</u>	<u>(46,300.00)</u>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		21,192,636.45	(3,926,220.64)
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		18,634,428.37	22,560,649.01
<b>Cash and Cash Equivalents at the end of the year</b>	5	<u>39,827,064.82</u>	<u>18,634,428.37</u>

The Notes on Pages 6 to 13 form an integral part of these Financial Statements.



## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1 - ACCOUNTING POLICIES

## 1. CORPORATE INFORMATION

## 1.1 Corporate Information

Name of the Company	:	Zydus Lanka (Pvt) Ltd
Legal Form	:	A Private Limited Liability Company incorporated under the Companies Act, No. 07 of 2007 on 11.04.2011 PV 78240
Address of Registered Office	:	Level 26 & 34, East Tower, World Trade Centre, Echelon Square, Colombo 01
Nature of the Operation	:	It carries business of Import, market, promote, distribute and sell pharmaceutical products.
Principal Shareholder	:	The entire shares of 3,706,304 have been issued to – Cadila Healthcare Limited Zydus Corporate Park, Scheme No. 63, Survey No. 536, Khoraj (Gandhinagar) Nr. Vaishnodevi Circle, Ahmedabad – 382481
		Local Address: Level 26 & 34, East Tower, World Trade Centre, Echelon Square, Colombo 1

## 1.2 Statement of Compliance

The Financial Statements have been prepared in accordance with the SLFRS for SMEs issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007.



## NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING POLICIES (CONTD.)

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

## 2.1 Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's Functional Currency. All financial information presented is in Sri Lankan Rupees.

## 2.2 Property, Plant &amp; Equipment

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where parts of an item of Property, Plant & Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant & Equipment.

Items of Property, Plant & Equipment are derecognized upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the Income Statement in the year the asset is derecognized.

**Depreciation**

Provision for depreciation is calculated by using reducing balance method on the cost of all Property, Plant & Equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

The principle annual rates of depreciation used are as follows:

<b>Assets</b>	<b>Rate</b>
Office & Other Equipment	20%
Furniture & Fittings	20%
Computer	20%

The Company's policy to provide depreciation on Property, Plant & Equipment from the month the assets are available for use up to the month of disposal. The useful life and residual value of assets are reviewed and adjusted if required, at the end of each financial year.

**Subsequent Expenditure**

The cost of replacing a part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition policy.

The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in profit or loss as incurred.





## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 2 - ACCOUNTING POLICIES (CONTD.)

**2.3 Income Tax**

Income Tax has been computed in accordance with the Provisions of Inland Revenue Act No. 24 of 2017 and amendments thereto.

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to or claims from the Department of Inland Revenue relating to current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the Financial Statements.

Deferred income tax is calculated on temporary differences between the carrying amounts of assets and liabilities and their tax bases that are expected to increase or reduce taxable profit in the future and on unused tax losses and unused tax credits.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization provided that they are enacted or substantively enacted at the reporting date, taking into consideration all possible outcomes of a review by the tax authorities.

The carrying amount of deferred tax assets is reviewed at each reporting date and adjusted as necessary to reflect the current assessment of future taxable profit.

Current tax assets and liabilities, or deferred tax assets and liabilities, are offset only when the Company has a legally enforceable right to offset the amounts and intends to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.4 Cash and cash equivalents**

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of change in value.

For the purpose of the Cash Flow Statement Cash and Cash Equivalents comprise cash in hand, demand deposits, and net of bank overdraft.

Cash Flow Statement has been prepared using indirect method.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

**2.5 Liabilities and Provisions**

All known liabilities have been provided while preparing the Financial Statements.

**2.5.1 Provision for Retiring Gratuity**

No provision has been made for Retiring Gratuity since there are no permanent employees.

**2.5.2 Provisions, Contingent Assets and Contingent Liabilities**

Provisions are made for all obligations existing as at the Reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

**2.6 Financial Instruments**

**(a) Financial Assets**

**Cash & Cash Equivalents and Trade and other Receivables**

These financial assets are recognized initially at the transaction price.

At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

**(b) Financial Liabilities**

The Company's financial liabilities include trade and other payables. Financial liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

**2.7 Stated Capital**

The total amount received by the Company or due and payable to the Company in respect of the issue of shares are referred to as "Stated Capital".

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

## NOTE 2 - ACCOUNTING POLICIES (CONTD.)

**2.8 Income Statement****Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of value added taxes and trade discounts. The following specific criteria are used for recognition of revenue.

**(a) Sale of Goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer with the Company retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

**(b) Other Income**

Other income is recognized on an accrual basis.

**Expenditure**

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year



## NOTES TO THE FINANCIAL STATEMENTS

## NOTE 3 - PROPERTY PLANT &amp; EQUIPMENT

<b>Cost</b>	<b>Balance as at 01.04.2021 Rs.</b>	<b>Additions Rs.</b>	<b>Disposals Rs.</b>	<b>Balance as at 31.03.2022 Rs.</b>
Furniture & Fittings	101,500.00	-	-	101,500.00
Computers	151,800.00	180,500.00	-	332,300.00
Office Equipments	39,300.00	-	-	39,300.00
	<u>292,600.00</u>	<u>180,500.00</u>	<u>-</u>	<u>473,100.00</u>
<b>Depreciation</b>	<b>Balance as at 01.04.2021 Rs.</b>	<b>Charge for the year Rs.</b>	<b>Depreciation on disposals Rs.</b>	<b>Balance as at 31.03.2022 Rs.</b>
Furniture & Fittings	36,540.00	12,992.00	-	49,532.00
Computers	39,936.67	25,381.00	-	65,317.67
Office Equipments	14,148.00	5,030.39	-	19,178.39
	<u>90,624.67</u>	<u>43,403.39</u>	<u>-</u>	<u>134,028.06</u>
<b>Written Down Value</b>			<b>Balance as at 31.03.2022 Rs.</b>	<b>Balance as at 31.03.2021 Rs.</b>
Furniture & Fittings			51,968.00	64,960.00
Computers			266,982.33	111,863.33
Office Equipments			20,121.61	25,152.00
			<u>339,071.94</u>	<u>201,975.33</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2022  
Rs.31.03.2021  
Rs.

## NOTE 4 - TRADE AND OTHER RECEIVABLE

**Financial Asset**

Trade Debtor	-	12,060,000.00
Security Deposit	314,970.00	314,970.00
	<u>314,970.00</u>	<u>12,374,970.00</u>

**Non Financial Asset**

Advance & Prepayments	36,028.22	32,164.61
	<u>36,028.22</u>	<u>32,164.61</u>
	<u>350,998.22</u>	<u>12,407,134.61</u>

## NOTE 5 - CASH AND CASH EQUIVALENT

Standard Chartered Bank (A/C No 01500431301)	39,827,064.82	18,634,428.37
	<u>39,827,064.82</u>	<u>18,634,428.37</u>

## NOTE 6 - STATED CAPITAL

**Number of Ordinary Shares Issued & Fully Paid**

Balance on 01st April	3,706,304	3,706,304
Shares issued during the year	-	-
Balance on 31st March	<u>3,706,304</u>	<u>3,706,304</u>

**Stated Capital**

Balance on 01st April	37,063,040.00	37,063,040.00
Shares Issued during the year	-	-
Balance on 31st March	<u>37,063,040.00</u>	<u>37,063,040.00</u>

## NOTE 7 - DEFERRED TAXATION (ASSET)/LIABILITY

Balance on 1st April	-	-
Deferred Tax Charged / (Reversed) to the Income Statement	16,409.27	-
Deferred Tax Charged to Other Comprehensive Income	-	-
Balance on 31st March	<u>16,409.27</u>	<u>-</u>

## NOTE 8 - TRADE AND OTHER PAYABLES

**Financial Liabilities**

Audit Fees Payable	165,000.00	145,000.00
Consultancy Fee Payable	-	27,600.00
Tax Fees Payable	45,000.00	40,000.00
Rent Payable	296,399.23	274,440.00
Service fee Payable	128,543.00	445,681.95
Other Payable	321,231.74	440,542.14
	<u>956,173.97</u>	<u>1,373,264.09</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2022  
Rs.31.03.2021  
Rs.

## NOTE 9 - INCOME TAX PAYABLE / (REFUND DUE)

Balance on 1st April	-	-
Provision for the year	590,291.76	-
	<u>590,291.76</u>	<u>-</u>
<b>Less :</b> Withholding Tax Paid	-	-
Income Tax Paid	-	-
	<u>-</u>	<u>-</u>
Balance on 31st March	<u>590,291.76</u>	<u>-</u>

## NOTE 10 - FINANCIAL ASSETS &amp; FINANCIAL LIABILITIES

## Financial Assets carried at amortised cost

Trade & Other Receivables (Note 4)	314,970.00	12,374,970.00
Cash & Cash Equivalents (Note 5)	39,827,064.82	18,634,428.37
	<u>40,142,034.82</u>	<u>31,009,398.37</u>

## Financial Liabilities carried at amortised cost

Trade & Other Payables (Note 8)	956,173.97	1,373,264.09
	<u>956,173.97</u>	<u>1,373,264.09</u>

## NOTE 11 - REVENUE

Sales of pharmaceutical products	55,725,000.00	46,695,000.00
	<u>55,725,000.00</u>	<u>46,695,000.00</u>



## NOTE 12 - TAXATION

Provision for the year	590,291.76	-
Under/(Over) provision in respect of previous year	-	-
Transfer to / (from) Deferred Taxation	16,409.27	-
	<u>606,701.03</u>	<u>-</u>

The Company is liable to income tax at 24% (2020/2021 - 24%) on taxable income.

## NOTE 13 - EVENTS AFTER THE REPORTING DATE

There has been no material event which occurred after the reporting date that requires adjustment to or disclosure in the Financial Statements other than the matter disclosed in note 14.

## NOTE 14 - IMPACT OF CURRENT ECONOMIC CRISIS

As per the prevailing economic condition in the country, information available up to the date of approval of these financial results by the Board of Directors, the Company believes that the impact of prevailing economic crisis on its business, assets, profitability and liquidity both present and future, would be limited and there is no indication of any material impact on the carrying amounts of trade receivables and other financial assets. The eventual outcome of the impact of the prevailing economic crisis may be different from those estimated as on the date of approval of these financial results and the Company will closely monitor any material changes to the economic environment and their impact on its business in times to come.

## NOTE 15 - CONTINGENT LIABILITIES &amp; ASSETS

There were no material contingent liabilities and assets outstanding as at the date of the reporting.

## NOTE 16 - CAPITAL COMMITMENTS

There were no capital expenditure commitments approved as at 31<sup>st</sup> March 2022 in respect of the Company.

## SCHEDULES TO THE FINANCIAL STATEMENTS

	31.03.2022 Rs.	31.03.2021 Rs.
<b>SCH 1 - COST OF SALES</b>		
Balance at the beginning of the year	-	-
Purchases	33,894,376.00	31,041,060.00
	<u>33,894,376.00</u>	<u>31,041,060.00</u>
Balance at the end of the year	-	-
Consumption during the year	<u>33,894,376.00</u>	<u>31,041,060.00</u>
<b>SCH 2 - DISTRIBUTION COST</b>		
New Product Development Expenses	4,263,777.00	15,238,562.00
	<u>4,263,777.00</u>	<u>15,238,562.00</u>
<b>SCH 3 - ADMINISTRATIVE EXPENSES</b>		
Bank Charges & Commission	5,380.00	3,900.00
Company Secretarial Fees	240,995.24	248,386.64
Legal & Professional Fees	3,019,890.00	1,937,677.96
Audit Fees - Current year	165,000.00	145,000.00
Tax Fees - Current year	45,000.00	40,000.00
Product Registration and Processing Charges	2,421,480.27	-
Rent Expense	1,253,564.82	1,163,043.71
Miscellaneous Expense	681,446.49	167,286.10
Depreciation - Furniture & Fittings	12,992.00	16,240.00
Computers	25,381.00	18,836.67
Office Equipment	5,030.39	6,288.00
Stamp Duty	-	10,980.00
	<u>7,876,160.21</u>	<u>3,757,639.08</u>
<b>SCH 4 - ADVANCE &amp; PREPAYMENTS</b>		
Prepayments	36,028.22	32,164.61
	<u>36,028.22</u>	<u>32,164.61</u>

