

Our Ref: 3487 / A1127 / SR

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FINANCIAL STATEMENTS OF

ZYDUS LANKA (PVT) LIMITED

FOR THE YEAR ENDED

31ST MARCH 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZYDUS LANKA (PVT) LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of **ZYDUS LANKA (PVT) LTD.** which comprise the Statement of Financial Position as at 31st March 2018, 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 4 to 11.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard applicable to Small and Medium – sized Entities.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). 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 ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of Sri Lanka that are relevant to our audit of the Financial Statements and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of these Financial Statements that give a true and fair view in accordance with Sri Lanka Accounting Standard applicable to Small and Medium – sized Entities and for such internal control as Board determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Kreston MNS & Co
Chartered Accountants

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Auditor's Responsibilities for the Audit of 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 Sri Lanka Auditing Standards 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 Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism 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.
- 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 our 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 and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

Kreston MNS & Co

**CHARTERED ACCOUNTANTS
COLOMBO
30th APRIL 2018**



STATEMENT OF FINANCIAL POSITION AS AT

ASSETS

Current Assets (Non Financial Assets)

Prepayment-Rent

31.03.2018
LKR31.03.2017
LKR

28,259.00

Current Assets (Financial Assets)

Security Deposit

3,14,970.00

14,970.00

Cash at Bank

50,15,564.00

2,56,559.00

Total Assets

53,30,534.00

2,99,788.00

EQUITY AND LIABILITIES

Equity

Stated Capital - Represented by - 1,097,000 ordinary shares

1,09,70,000.00

19,90,000.00

Retained Earnings/(Accumulated Loss)

(57,29,629.25)

(17,80,324.00)

52,40,370.75

2,09,676.00

Current Liabilities(Financial Liabilities)

Audit Fees Payable

40,250.00

36,630.00

Tax Fees Payable

10,350.00

9,768.00

Secretarial Fee Payable

43,714.00

Rent Payable

39,563.25

90,163.25

90,112.00


Total Equity & Liabilities

53,30,534.00

2,99,788.00

The Notes on Pages 8 to 11 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 2018 were approved by the Board of Directors

1 JAY KOTHARI

Directors

2 VIMAL N. SANGHAVI

30th April 2018



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	31.03.2018 LKR	31.03.2017 LKR
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Pre Operation expenses:		
Bank Charges & Commission	950.00	250.00
Company Secretarial Fees	2,22,561.45	1,69,029.00
Professional Fees	28,36,260.55	-
Audit Fees - Current year	40,250.00	36,630.00
- Under provision - Previous year	3,620.00	3,030.00
Tax Fees - Current year	10,350.00	9,768.00
- under provision - Previous year	582.00	808.00
Product Registration and Processing Charges	65,000.00	3,16,850.00
Rent Expense	7,67,822.25	67,823.00
Exchange loss	1,909.00	2,919.00
Loss before Taxation	39,49,305.25	6,07,107.00
Tax Expense	-	-
Loss for the year	39,49,305.25	6,07,107.00

The Notes on Pages 8 to 11 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 2018 were approved by the Board of Directors

1 JAY KOTHARI

Directors

2 VIMAL N. SANGHAVI

30th April 2018



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2018

	Stated Capital LKR	Retained Earnings LKR	Total LKR
Balance as at 01 st April 2016	19,90,000.00	(11,73,217.00)	8,16,783.00
Shares issued during the year		-	-
Loss for the year 2016-17		(6,07,107.00)	(6,07,107.00)
Balance as at 31 st March 2017	19,90,000.00	(17,80,324.00)	2,09,676.00
Shares issued during the year	89,80,000.00	-	89,80,000.00
Loss for the year 2017-18	-	(39,49,305.25)	(39,49,305.25)
Balance as at 31 st March 2018	<u>1,09,70,000.00</u>	<u>(57,29,629.25)</u>	<u>52,40,370.75</u>

The Notes on Pages 8 to 11 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED

	31.03.2018 LKR	31.03.2017 LKR
Loss for the year	(39,49,305.25)	(6,07,107.00)
Net Changes in Working capital		
Change in Accrued Expenses	51.25	1,358.00
Change in Prepayment-rent	28,259.00	-
Change in Security Deposit	(3,00,000.00)	-
Total Changes in Working Capital	<u>(2,71,689.75)</u>	<u>1,358.00</u>
Net Changes in Financing Activity		
Shares issued during the year	<u>89,80,000.00</u>	<u>-</u>
Net Increase / (Decrease) in Cash & Cash Equivalents	47,59,005.00	(6,05,749.00)
Cash and Cash Equivalents at the Beginning of the Year	<u>2,56,559.00</u>	<u>8,62,308.00</u>
Cash and Cash Equivalents at the end of the year	<u><u>50,15,564.00</u></u>	<u><u>2,56,559.00</u></u>

The Notes on Pages 8 to 11 form an integral part of these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS**NOTE 1 - ACCOUNTING POLICIES****1. GENERAL ACCOUNTING POLICIES****1.1 Basis of Accounting**

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards for Small and Medium sized Entities (SLFRS for SMEs). Where appropriate, the policies and any changes thereto are explained in the succeeding notes.

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.

1.3 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.

1.4 Post Reporting date

All material events occurring after the Reporting date have been considered and wherever required necessary adjustments to or disclosure have been made in the Financial Statements.

1.5 Income Tax

Income Tax has been computed in accordance with the Provisions of Inland Revenue Act No. 10 of 2006 and amendments thereto.

1.6 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, net of bank overdraft.

Cash Flow Statement has been prepared using indirect method.

1.7 Liabilities and Provisions

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

1.7.1 Provision for Retiring Gratuity

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

1.7.2 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.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING POLICIES

1.8 Financial Instruments**(a) Financial Assets****Cash & cash equivalents and other receivables**

These financial assets are recognised initially at the transaction price.

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

(b) Financial Liabilities

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

1.9 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

2.0 Income Statement**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 (CONTD.)

NOTE 2 - 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 : To import, market, promote, distribute and sell pharmaceutical products, after obtaining necessary regulatory approvals including all other activities in the normal course business of trading in Pharmaceutical products.

The company has not commenced commercial operations yet.

Currently the Company is in the process of obtaining the licenses to import the Pharma products in Sri Lanka from the Sri Lankan Authorities, once the Company receive the approval, it will be able to start the operations.

- Principal Shareholder : The entire shares of 10,97,000 have been issued to -
Cadila Healthcare Limited
Zydus Tower' Satellite Cross Roads,
Ahmedabad,
Gujarat-380015
India

Local Address:
Level 26 & 34,
East Tower, World Trade Centre,
Echelon Square,
Colombo 1



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 3 - TAXATION

The Company is liable to income tax at 28% on the Taxable Income.

However no provision for income tax has been made for the year since there is no Taxable income.

There exists a temporary difference between the book income and tax income because of carried forward losses as per income tax. However the related deferred tax asset has not been recognised since commercial operations has not commenced and recoverability of same is uncertain at this stage.

NOTE 4 - 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.

NOTE 5 - CONTINGENT LIABILITIES & ASSETS

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

NOTE 6 - CAPITAL COMMITMENTS

There were no capital expenditure commitments approved as at 31st March 2018 in respect of the Company



TAX COMPUTATION YEAR OF ASSESSMENT 2017 / 2018

Loss for the year	(39,49,305)
Add : Disallowed Expenses	
Pre operation Expenses	(39,49,305)
Adjusted Profit / (Loss) for the year	-
Statutory / Assessable / Taxable Income	Nil
Tax Payable	Nil

Note : Pre operation expenses will be claimed in full in the Year of Assessment in which commercial operations will commence.

Pre Operation Expenses

Y/A	2012/2013	2,25,774
Y/A	2013/2014	3,19,095
Y/A	2014/2015	2,38,163
Y/A	2015/2016	3,90,186
Y/A	2016/2017	6,07,107
Y/A	2017/2018	39,49,305
Total		57,29,630



ANNEXURES

ANNEX 1 - RENT

Name & Address of Landlord	Address of the Premises	Period	Amount Paid Rs.
Regus Lanka Number One (Pvt) Ltd. Level 26 & 34, East Tower, World Trade Centre, Echelon Square, Colombo 1	Level 26 & 34, East Tower, World Trade Centre, Echelon Square, Colombo 1	April to August 2017 (5,651.89 x 12)	67,822.72
Weerasinghe Arachchige Amiththa Sanjaya Weerasinghe 275/1, Koswatta, Talangama, Sri Lanka.	Warehouse 275/1, Koswatta, Talangama, Sri Lanka.	June 2016 to March 2018 (70,000.00 x 10)	7,00,000.00
			7,67,822.72

ANNEX 2 - PROFESSIONAL FEES

Name & Address of Recipient	Nature of Service	Amount Paid Rs.
D.L.F.De.Saram 47,Alexandra Place, Colombo - 07 Sri Lanka	Preparing Legal Documents	12,28,656.55
National Medicines Regulatory Authority 120, Norris Canal Road, Colombo 10, Sri Lanka	Agency Transfer Fee	3,57,604.00
Mr.D.M.I Sampath Dissanayake Galkotuwa Kade, Ketawatta, Badulla.	Contract of Services	12,50,000.00
		28,36,260.55

