

Our Ref: 3487 / A1127 / SR

FINANCIAL STATEMENTS OF

ZYDUS LANKA (PVT) LIMITED

FOR THE YEAR ENDED

31ST MARCH 2019

Kreston MNS & Co
Chartered Accountants

Head Office at 1st & 2nd Floors, Advantage Building, 74A, Dharmapala Mawatha, Colombo 07.

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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 31st March 2019, 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 9.

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

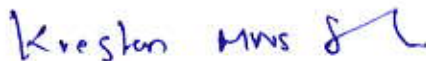
In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities.

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

30TH APRIL 2019

SR/RB/bn

SR-Zydus Lanka (P) Ltd(2019)-C8

Kreston MNS & Co

Chartered Accountants

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Partners

Ms. Y Shirani de Silva FCA, FCMA | Ms. Sivaselvi Balachandran FCA, FCMA | S Rajanathan FCA, FCMA (UK) | N K Atukorala FCA, ACMA

Ms. H D S C A Tillekeratne FCA, ACMA | K I Skandadasan B.Sc. (Madras), FCA, ACMA | R L R Balasingham FCA, ACMA | N K G V Bandara B.Sc.(Acc) Sp, ACA, ACMA



STATEMENT OF FINANCIAL POSITION AS AT

	31.03.2019 LKR	31.03.2018 LKR
ASSETS		
Current Assets		
Non Financial Assets		
Prepayment-Rent	-	-
Advance	440,612.75	-
	<u>440,612.75</u>	<u>-</u>
Financial Assets		
Other Receivables	91,000.00	-
Security Deposit	314,970.00	314,970.00
Cash at Bank	48,241.68	5,015,564.00
Total Assets	<u>454,211.68</u>	<u>5,330,534.00</u>
	<u>894,824.43</u>	<u>5,330,534.00</u>
EQUITY AND LIABILITIES		
Equity		
Stated Capital - Represented by - 1,097,000 ordinary shares	10,970,000.00	10,970,000.00
Retained Earnings / (Accumulated Loss)	(10,400,505.49)	(5,729,629.25)
	<u>569,494.51</u>	<u>5,240,370.75</u>
Current Liabilities		
Non Financial Liabilities		
WHT Payable	196,056.92	-
	<u>196,056.92</u>	<u>-</u>
Financial Liabilities		
Audit Fees Payable	50,312.50	40,250.00
Consultancy Fee Payable	27,600.00	-
Tax Fees Payable	12,937.50	10,350.00
Rent Payable	38,423.00	39,563.25
	<u>129,273.00</u>	<u>90,163.25</u>
Total Equity & Liabilities	<u>894,824.43</u>	<u>5,330,534.00</u>

The Notes on Pages 6 to 9 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.

Jlami Ibra

Director

The Financial Statements for the year ended 31st March 2019 were approved by the Board of Directors

Directors

1 *Jlami Ibra*

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[Signature]

30th April 2019



STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	31.03.2019 LKR	31.03.2018 LKR
Revenue	-	-
Cost of Sales	-	-
Gross Profit	-	-
Pre Operation expenses:		
Bank Charges & Commission	4,750.00	950.00
Company Secretarial Fees	235,211.03	222,561.45
Professional Fees	2,671,820.00	2,836,260.55
Audit Fees - Current year	50,600.00	40,250.00
- Under provision - Previous year	5,201.14	3,620.00
Tax Fees - Current year	12,650.00	10,350.00
- under provision - Previous year	1,698.86	582.00
Product Registration and Processing Charges	554,456.00	65,000.00
Rent Expense	1,088,923.85	767,822.25
Exchange loss	9,447.44	1,909.00
Miscellaneous Expense	36,117.92	
Loss before Taxation	4,670,876.24	3,949,305.25
Tax Expense	-	-
Loss for the year	4,670,876.24	3,949,305.25

The Notes on Pages 6 to 9 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 2019 were approved by the Board of Directors

Directors

1 

2 

30th April 2019



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2019

	Stated Capital LKR	Retained Earnings LKR	Total LKR
Balance as at 1st April 2017	1,990,000.00	(1,780,324.00)	209,676.00
Shares issued during the year	8,980,000.00	-	8,980,000.00
Loss for the year 2017-18	-	(3,949,305.25)	(3,949,305.25)
Balance as at 31 st March 2018	10,970,000.00	(5,729,629.25)	5,240,370.75
Shares issued during the year	-	-	-
Loss for the year 2018-19	-	(4,670,876.24)	(4,670,876.24)
Balance as at 31 st March 2019	10,970,000.00	(10,400,505.49)	569,494.51

The Notes on Pages 6 to 9 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED

	31.03.2019 LKR	31.03.2018 LKR
Loss for the year	(4,670,876.24)	(3,949,305.25)
Net Changes in Working capital		
Change in Accrued Expenses	39,109.75	51.25
Change in WHT Payable	196,056.92	
Change in Prepayment-rent	-	28,259.00
Change in Security Deposit	-	(300,000.00)
Change in Staff Advance	(440,612.75)	-
Change in Other Receivable	(91,000.00)	-
Total Changes in Working Capital	<u>(296,446.08)</u>	<u>(271,689.75)</u>
Net Changes in Financing Activity		
Shares issued during the year	-	8,980,000.00
Net Increase / (Decrease) in Cash & Cash Equivalents	<u>(4,967,322.32)</u>	<u>4,759,005.00</u>
Cash and Cash Equivalents at the Beginning of the Year	<u>5,015,564.00</u>	<u>256,559.00</u>
Cash and Cash Equivalents at the end of the year	<u><u>48,241.68</u></u>	<u><u>5,015,564.00</u></u>

The Notes on Pages 6 to 9 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 Events after the 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. 24 of 2017 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 (CONTD.)

NOTE 1 - ACCOUNTING POLICIES (CONTD.)

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 commenced its business operations in April 2019.
- 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

The Company commenced its business operations in April 2019.

Other than the above 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 2019 in respect of the Company.



INCOME TAX COMPUTATION

FOR THE YEAR OF ASSESSMENT 2018 / 2019

Loss as per Accounts	(4,670,876)
Less: Investment Income	
Dividend	-
Interest	-
	<u>(4,670,876)</u>
Add: Expenditure not incurred in the production of income	-
Assessable Charges on Disposal of Depreciable Assets	-
Gains from realisation of Capital Assets & Liabilities of Business	-
Less: Accounting Profit on Realisation of Business Assets	-
Accounting Profit on Realisation of Depreciable Assets	-
	<u>(4,670,876)</u>
Less: Exempt Business Income	-
Business Income subject to Final Withholding Tax	-
Tax Losses B/F	-
Assessable Income / (Loss) from Business (Prospective Business)	<u><u>(4,670,876)</u></u>
Investment Income	-
Less: Exempt Investment Income	-
Investment Income subject to Final Withholding Tax	-
Tax Losses B/F	-
Less: Expenditure incurred in the production of Investment Income	-
Assessable Income from Investments	<u>-</u>
Total Assessable Income	<u><u>-</u></u>
Assessable Loss C/F	-
Less: Qualifying Payments	-
Relief	-
Taxable Income	<u>-</u>
Income Tax Payable @ 28%	-
Assessable Business Loss C/F	<u><u>(4,670,876)</u></u>

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	225,774
Y/A	2013/2014	319,095
Y/A	2014/2015	238,163
Y/A	2015/2016	390,186
Y/A	2016/2017	607,107
Y/A	2017/2018	3,949,305
Assessable Loss B/F		<u>5,729,630</u>
Add: Assessable Loss for the year		4,670,876
Assessable Loss C/F		<u><u>10,400,506</u></u>



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 2018 (28,100.17 x 5) September to March 2019 (5,489.00 x 7)	178,923.85
Weerasinghe Arachchige Amiththa Sanjaya Weerasinghe 275/1, Koswatta, Talangama, Sri Lanka.	Warehouse 275/1, Koswatta, Talangama, Sri Lanka.	April to May 2018 (70,000.00 x 2) June 2018 to March 2019 (77,000 x 10)	910,000.00
			<u>1,088,923.85</u>

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	881,720.00
Kreston MNS & Co. No.74/A, 1st & 2nd Floors, Dharmapala Mawatha, Colombo - 07 Sri Lanka	WHT Consulting Fees	27,600.00
Mr. D.M.I Sampath Dissanayake Galkotuwa Kade, Ketawatta, Badulla.	Contract of Services	262,500.00
Mr. R.A.B. Kumara 87/4, Buthgamuwa Road, Kalapaluwawa, Rajagiriya, Sri Lanka	Contract of Services	1,500,000.00
		<u>2,671,820.00</u>

ANNEX 3 - SECRETARIAL FEES

Name & Address of Recipient	Amount Paid Rs.
P W Corporate Secretarial (Pvt) Ltd Level 26 & 34 East Tower, World Trade Centre, Colombo 1	<u>235,211.03</u>

