

Our Ref: 3487 / A1127 / SR

Chartered Accountants
P.O. Box 210
50/2, Sir James Peiris Mawatha,
Colombo 02, Sri Lanka.
T +94 (0) 11 2323571 - 3
F +94 (0) 11 2433388
E audit@kreston.lk
www: kreston.lk

FINANCIAL STATEMENTS OF

ZYDUS LANKA (PVT) LIMITED

FOR THE YEAR ENDED

31ST MARCH 2020

Kreston MNS & Co

Corporate Office at 74A, 2nd Floor, Dharmapala Mawatha, Colombo 7. T +94 (0) 11 2301396-7
City Office at 18-1/2A, First Floor, State Bank of India Building, Colombo 01. T +94 (0) 11 2327444
Branches in Anuradhapura, Badulla, Batticaloa, Halton, Jaffna, Kandy, Negombo, Nuwara Eliya, Trincomalee
Member of Kreston International Limited UK

Correspondent firm within Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International and the member and correspondent firms are not a worldwide partnership.

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 2020, 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 14.

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 2020, 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.

Kreston MNS & Co

CHARTERED ACCOUNTANTS
COLOMBO
20TH JUNE 2020
SR/RB/rf
SR-Zydus Lanka (P) Ltd(2019)



STATEMENT OF FINANCIAL POSITION AS AT	Notes	31.03.2020 Rs.	31.03.2019 Rs.
ASSETS			
Non Current Assets			
Property Plant & Equipment	3	197,040.00	-
		<u>197,040.00</u>	<u>-</u>
Current Assets			
Trade & Other Receivables	4	11,411,204.99	846,582.75
Cash at Bank	5	22,560,649.01	48,241.68
Total Assets		<u>33,971,854.00</u>	<u>894,824.43</u>
		<u>34,168,894.00</u>	<u>894,824.43</u>
EQUITY AND LIABILITIES			
Equity			
Stated Capital - Represented by - 3,706,304 ordinary share	6	37,063,040.00	10,970,000.00
Accumulated Loss		(3,850,504.70)	(10,400,505.49)
		<u>33,212,535.30</u>	<u>569,494.51</u>
Current Liabilities			
Trade & Other Payables	7	956,358.70	325,329.92
		<u>956,358.70</u>	<u>325,329.92</u>
Total Equity & Liabilities		<u>34,168,894.00</u>	<u>894,824.43</u>

The Notes on Pages 6 to 14 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 2020 were approved by the Board of Directors

1 
Directors

2 

20TH June 2020



STATEMENT OF FINANCIAL POSITION AS AT

ASSETS

Non Current Assets

Property Plant & Equipment

Notes

31.03.2020
Rs.31.03.2019
Rs.

3

197,040.00

-

197,040.00

-

Current Assets

Trade & Other Receivables

4

11,411,204.99

846,582.75

Cash at Bank

5

22,560,649.01

48,241.68

Total Assets

33,971,854.00

894,824.43

34,168,894.00

894,824.43

EQUITY AND LIABILITIES

Equity

Stated Capital - Represented by - 3,706,304 ordinary share

6

37,063,040.00

10,970,000.00

Accumulated Loss

(3,850,504.70)

(10,400,505.49)

33,212,535.30

569,494.51

Current Liabilities

Trade & Other Payables

7

956,358.70

325,329.92

956,358.70

325,329.92

Total Equity & Liabilities

34,168,894.00

894,824.43

The Notes on Pages 6 to 14 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 2020 were approved by the Board of Directors

Directors

1 2 20TH June 2020

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

	Notes	31.03.2020 Rs.	31.03.2019 Rs.
Revenue	9	32,970,000.00	-
Cost of Sales		(19,999,110.78)	-
Gross Profit		<u>12,970,889.22</u>	<u>-</u>
Pre Operation expenses:			
Distribution costs		-	(4,670,876.24)
Administrative Expenses		(2,245,625.00)	-
Profit/(Loss) before Taxation		<u>(4,175,263.43)</u>	<u>-</u>
Tax Expense		65,500,000.79	(4,670,876.24)
Profit / (Loss) for the year		<u>-</u>	<u>-</u>
		<u>65,500,000.79</u>	<u>(4,670,876.24)</u>

1 *[Signature]*
 Directors
 2 *[Signature]*
 20TH June 2020



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST MARCH 2020

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2018	10,970,000.00	(5,729,629.25)	5,240,370.75
Shares issued during the year	-	-	-
Loss for the year	-	(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
Shares issued during the year	26,093,040.00	-	26,093,040.00
Profit for the year	-	6,550,000.79	6,550,000.79
Balance as at 31 st March 2020	<u>37,063,040.00</u>	<u>(3,850,504.70)</u>	<u>33,212,535.30</u>

The Notes on Pages 6 to 14 form an integral part of these Financial Statements.



CASH FLOW STATEMENT

FOR THE YEAR ENDED

		31.03.2020 Rs.	31.03.2019 Rs.
Profit / (Loss) for the year		6,550,000.79	(4,670,876.24)
Adjustments:			
Depreciation & Amortization	3	49,260.00	-
Operating Profit before Changes in Working Capital		<u>6,599,260.79</u>	<u>(4,670,876.24)</u>
Net Changes in Working capital			
Change in Trade & Other receivable	4	(10,564,622.24)	(531,612.75)
Change in Trade & Other payable	7	631,028.78	235,166.67
Total Changes in Working Capital		<u>(9,933,593.46)</u>	<u>(296,446.08)</u>
Cash Generated from / (used in) Operations		<u>(3,334,332.67)</u>	<u>(4,967,322.32)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property Plant & Equipment	3	(246,300.00)	-
Net Cash used in Investing Activities		<u>(246,300.00)</u>	<u>-</u>
Net Changes in Financing Activity			
Shares issued during the year	6	26,093,040.00	-
Net Increase / (Decrease) in Cash & Cash Equivalents		22,512,407.33	(4,967,322.32)
Cash and Cash Equivalents at the Beginning of the Year		48,241.68	5,015,564.00
Cash and Cash Equivalents at the end of the year	5	<u>22,560,649.01</u>	<u>48,241.68</u>

The Notes on Pages 6 to 14 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 (Ghandhinagar) 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 & 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 derecognised 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 derecognised.

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 :

Assets	Rate
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 upto 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

2.2 Property, Plant & Equipment (Contd.)**Subsequent Expenditure**

The cost of replacing a part of an item of Property, Plant & Equipment is recognised 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 derecognised in accordance with the derecognition policy.

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

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.

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, net of bank overdraft.

Cash Flow Statement has been prepared using indirect method.

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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

2.6 Financial Instruments

(a) Financial Assets

Cash & Cash Equivalents and Trade 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.

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

2.8 Income Statement

Revenue Recognition

Revenue is recognised 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

2.8 Income Statement (Contd.)

(a) Sale of Goods

Revenue from the sale of goods is recognised 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 recognised 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 (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

2.8 Income Statement (Contd.)

(a) Sale of Goods

Revenue from the sale of goods is recognised 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 recognised 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 & EQUIPMENT

Cost

	Additions Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
Furniture & Fittings	101,500	-	101,500
Computers	105,500	-	105,500
Office Equipments	39,300	-	39,300
	<u>246,300</u>	<u>-</u>	<u>246,300</u>

Depreciation

	Charge for the year Rs.	Depreciation on disposals Rs.	Balance as at 31.03.2020 Rs.
Furniture & Fittings	20,300	-	20,300
Computers	21,100	-	21,100
Office Equipments	7,860	-	7,860
	<u>49,260</u>	<u>-</u>	<u>49,260</u>

Written Down Value

	Balance 31.03.2020 Rs.	Balance 31.03.2019 Rs.
Furniture & Fittings	81,200	-
Computers	84,400	-
Office Equipments	31,440	-
	<u>197,040</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 4 - TRADE AND OTHER RECEIVABLE

Financial Asset

Trade Debtor

Security Deposit

31.03.2020
Rs.

31.03.2019
Rs.

4,515,000.00

314,970.00

4,829,970.00

-

314,970.00

314,970.00

Non Financial Asset

Advance & Prepayments

WHT Receivable

6,581,234.99

-

6,581,234.99

440,612.75

91,000.00

531,612.75

11,411,204.99

846,582.75

NOTE 5 - CASH AND CASH EQUIVALENT

Bank Balance

22,560,649.01

48,241.68

22,560,649.01

48,241.68

NOTE 6 - STATED CAPITAL

Number of Ordinary Shares Issued & Fully Paid

Balance on 01st April

Shares issued during the year

Balance on 31st March

1,097,000

2,609,304

3,706,304

1,097,000

-

1,097,000

Stated Capital

Balance on 01st April

Shares Issued during the year

Balance on 31st March

Rs.

Rs.

10,970,000.00

26,093,040.00

37,063,040.00

10,970,000.00

-

10,970,000.00

NOTE 7 - TRADE AND OTHER PAYABLES

Financial Liabilities

Sundry Creditors

Audit Fees Payable

Consultancy Fee Payable

Tax Fees Payable

Rent Payable

Service fee Payable

59,306.30

125,000.00

27,600.00

65,075.00

499,378.00

165,000.00

941,359.30

-

50,312.50

27,600.00

12,937.50

38,423.00

-

129,273.00



Non Financial Liabilities

WHT Payable

14,999.40

14,999.40

956,358.70

196,056.92

196,056.92

325,329.92

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

31.03.2020

31.03.2019

Rs.

Rs.

NOTE 8 - FINANCIAL ASSETS & FINANCIAL LIABILITIES

Financial Assets carried at amortised cost

Trade & Other Receivables (Note 4)

4,829,970.00

314,970.00

Cash & Cash Equivalents (Note 5)

22,560,649.01

48,241.68

27,390,619.01363,211.68**Financial Liabilities carried at amortised cost**

Trade & Other Payables (Note 7)

941,359.30

129,273.00

941,359.30129,273.00

NOTE 9 - REVENUE

Sales of pharmaceutical products

32,970,000.00

-

32,970,000.00

-



NOTES TO THE FINANCIAL STATEMENTS (CONTD.)**NOTE 10 - TAXATION**

The Company is liable to income tax at 28% on the Taxable Income up to 31st December 2019 and liable at 24% on taxable income thereafter.

However no provision for income tax has been made for the year since there is no Taxable income after set off of previous year's loss.

NOTE 11 - 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 below.

The World Health Organisation [WHO] declared Covid-19 to be a global pandemic in March 2020. Majority of the countries across the globe were into lockdown situation all throughout April 2020 and major part of May 2020, impacting business operations across various sectors with severe restrictions on movement of people and goods.

The Company has implemented several initiatives across its business locations to ensure the continuity of its business operations with minimal disruption. The Company operates in selling of pharmaceutical products, which are classified as essential commodities and hence its operations continued to be run with fewer challenges on people movement and supply chain.

As per the current assessment of the situation based on the internal and external information available up to the date of approval of these financial results by the Board of Directors, the Company believes that the impact of Covid-19 on its business, assets, internal financial controls, profitability and liquidity, both present and future, would be limited and there is no indication of any material impact on the carrying amounts of inventories, trade receivables and other financial assets. The eventual outcome of the impact of the global health pandemic 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 the times to come.

NOTE 12 - CONTINGENT LIABILITIES & ASSETS

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

NOTE 13 - CAPITAL COMMITMENTS

There were no capital expenditure commitments approved as at 31st March 2020 in respect of the Company.



SCHEDULES TO THE FINANCIAL STATEMENTS

31.03.2020
Rs.31.03.2019
Rs.

SCH 1 - COST OF SALES

Balance at the beginning of the year	-	-
Purchases	19,999,110.78	-
Balance at the end of the year	19,999,110.78	-
Consumption during the year	19,999,110.78	-

SCH 2 - PRE OPERATION EXPENSES

Bank Charges & Commission	-	4,750.00
Company Secretarial Fees	-	235,211.03
Professional Fees	-	2,671,820.00
Audit Fees - Current year	-	50,600.00
- Under provision - Previous year	-	5,201.14
Tax Fees - Current year	-	12,650.00
- under provision - Previous year	-	1,698.86
Product Registration and Processing Charges	-	554,456.00
Rent Expense	-	1,088,923.85
Exchange loss	-	9,447.44
Miscellaneous Expense	-	36,117.92
	-	4,670,876.24

SCH 3 - DISTRIBUTION COST

Sales & Promotional Expenses	2,245,625.00	-
	2,245,625.00	-



SCHEDULES TO THE FINANCIAL STATEMENTS (CONTD.)

	31.03.2020 Rs.	31.03.2019 Rs.
SCH 4 - ADMINISTRATIVE EXPENSES		
Bank Charges & Commission	10,400.00	-
Company Secretarial Fees	253,745.47	-
Legal & Professional Fees	1,876,245.00	-
Consultancy Fees	86,250.00	-
Audit Fees - Current year	125,000.00	-
- Under provision - Previous year	-	-
Tax Fees - Current year	30,000.00	-
- under provision - Previous year	17,250.00	-
Product Registration and Processing Charges	140,256.00	-
Rent Expense	1,160,483.55	-
Miscellaneous Expense	39,609.41	-
Depreciation		
Furniture & Fittings	20,300.00	-
Computers	21,100.00	-
Office Equipment	7,860.00	-
Fuel	285,600.00	-
Stamp Duty	10,164.00	-
Rates & Taxes	91,000.00	-
	<u>4,175,263.43</u>	<u>-</u>
SCH 5 - ADVANCE & PREPAYMENTS		
Advance Paid to Vendors	6,534,170.00	-
Advance to Employees	13,251.74	-
Prepayments	33,813.25	440,612.75
	<u>6,581,234.99</u>	<u>440,612.75</u>

