

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 2023, 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 15.

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 2023, 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.

M/S. KRESTON M.N.S. & CO
CHARTERED ACCOUNTANTS
COLOMBO
17TH MAY 2023
SR/RB/bn
SR-Zydus Lanka (P) Ltd(2022)-C8

ZYDUS LANKA (PVT) LIMITED			Page 2	
STATEMENT OF FINANCIAL POSITION AS AT			31.03.2023	31.03.2022
			Rs.	Rs.
			Notes	
ASSETS				
Non Current Assets				
Property Plant & Equipment	3	15,70,435.22	3,39,071.94	
Intangible Assets	4	1,92,445.20	-	
Deferred Tax Assets	8	12,42,153.16	-	
		30,05,033.59	3,39,071.94	
Current Assets				
Other Current Assets	5	2,02,45,414.66	3,50,998.22	
Income Tax Refund Due	10	9,73,951.00	-	
Cash at Bank	6	1,40,35,629.01	3,98,27,064.82	
		3,52,54,994.67	4,01,78,063.04	
Total Assets		3,82,60,028.26	4,05,17,134.98	
EQUITY AND LIABILITIES				
Equity				
Stated Capital - Represented by - 3,706,304 ordinary shares	7	3,70,63,040.00	3,70,63,040.00	
Accumulated (Loss) / Profit		(11,80,034.04)	18,91,219.98	
		3,58,83,005.96	3,89,54,259.98	
Non Current Liabilities				
Deferred Tax Liability	8	-	16,409.27	
		-	16,409.27	
Current Liabilities				
Trade & Other Payables	9	23,77,022.54	9,56,173.97	
Income Tax Payable	10	-	5,90,291.76	
		23,77,022.54	15,46,465.73	
Total Equity & Liabilities		3,82,60,028.49	4,05,17,134.98	
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 2023 were approved by the Board of Directors				
1				
Directors				
2				
17 th May 2023				

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED

31.03.2023

31.03.2022

Rs.

Rs.

Notes

Revenue	12	7,20,00,000.00	5,57,25,000.00
Cost of Sales	19	(5,43,88,746.00)	(3,38,94,376.00)
Gross Profit		1,76,11,254.00	2,18,30,624.00
Distribution costs	20	-	(42,63,777.00)
Administrative Expenses	21	(2,19,41,069.69)	(78,76,160.21)
Profit / (Loss) before Taxation		(43,29,815.69)	96,90,686.79
Tax Expense	13	12,58,562.43	(6,06,701.03)
Profit / (Loss) for the year		(30,71,253.26)	90,83,985.76

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

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Director

The Financial Statements for the year ended 31st March 2023 were approved by the Board of Directors.

1

Directors

2

ZYDUS LANKA (PVT) LIMITED				Page 4
STATEMENT OF CHANGES IN EQUITY				
FOR THE YEAR ENDED 31ST MARCH 2023				
		Stated Capital Rs.	Accumulated (Loss) / Profit Rs.	Total Rs.
Balance as at 1 st April 2021		3,70,63,040.00	(71,92,765.78)	2,98,70,274.22
Profit for the year		-	90,83,985.76	90,83,985.76
Balance as at 31 st March 2022		3,70,63,040.00	18,91,219.21	3,89,54,259.98
Loss for the year			(30,71,253.26)	(30,71,253.26)
Balance as at 31 st March 2023		3,70,63,040.00	(11,80,034.04)	3,58,83,006.72
The Notes on Pages 6 to 13 form an integral part of these Financial Statements.				

ZYDUS LANKA (PVT) LIMITED			Page 5	
CASH FLOW STATEMENT				
FOR THE YEAR ENDED		31.03.2023	31.03.2022	
		Rs.	Rs.	
		Notes		
(Loss) / Profit for the year			(43,29,815.69)	96,90,686.79
Adjustments:				
Depreciation & Amortization	3,4		1,78,851.51	43,403.39
Operating Profit before Changes in Working Capital			(41,50,964.18)	97,34,090.18
Net Changes in Working capital				
Change in Other Current Assets	5		(1,98,94,416.94)	1,20,56,136.39
Change in Trade & Other payable	9		14,20,848.06	(4,17,090.12)
Total Changes in Working Capital			(1,84,73,568.88)	1,16,39,046.27
Income Tax Paid	10		(15,64,242.76)	-
Cash Generated from / (used in) Operations			(2,41,88,775.81)	2,13,73,136.45
Cash Flow From Investing Activities				
Acquisition of Property Plant & Equipment	3		(14,06,150.00)	(1,80,500.00)
Acquisition of Intangible Assets	4		(1,96,510.00)	-
Net Cash used in Investing Activities			(16,02,660.00)	(1,80,500.00)
Net (Decrease) / Increase in Cash & Cash Equivalents			(2,57,91,435.81)	2,11,92,636.45
Cash and Cash Equivalents at the Beginning of the Year			3,98,27,064.82	1,86,34,428.37
Cash and Cash Equivalents at the end of the year		6	1,40,35,629.01	3,98,27,064.82
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 12, Parkland Building, No. 33, Park Street, Colombo 02
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 – Zydus Lifesciences Limited “Formerly known as Cadila Healthcare Limited” Zydus Corporate Park, Scheme No. 63, Survey No. 536, Khoraj (Gandhinagar) Nr. Vaishnodevi Circle, Ahmedabad – 382481

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 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:

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 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 Intangible Asset

Intangible assets are recorded at cost together with any incidental expenses thereon. The assets are stated at cost less accumulated amortization and accumulated impairment losses. The provision for amortization is calculated on reducing balance method on the cost of the asset in order to write-off such amount over the estimated useful economic lives of such assets.

The principle annual rate of amortization used is as follows:

Assets	Rate
Tally Software	5%

2.4 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 recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those claims from and /or obligations to 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 realize the asset and settle the liability simultaneously.

2.5 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

NOTE 2 - ACCOUNTING POLICIES (CONTD.)

2.6 Liabilities and Provisions

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

2.6.1 Provision for Retiring Gratuity

No provision has been made for Retiring Gratuity since the permanent employee who is not completed one year as at the reporting date.

2.6.2 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.

2.7 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.

2.8 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.)

2.9 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 from sales is based on the price in the sales contracts, net of discounts, sales tax. 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 when no significant uncertainty as to its determination or realization exists.

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	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
Furniture & Fittings	1,01,500.00	-	-	1,01,500.00
Computers	3,32,300.00	2,38,000.00	-	5,70,300.00
Office Equipments	39,300.00	11,68,150.00	-	12,07,450.00
	4,73,100.00	14,06,150.00	-	18,79,250.00

Depreciation	Balance as at 01.04.2022 Rs.	Charge for the year Rs.	Depreciation on disposals Rs.	Balance as at 31.03.2023 Rs.
Furniture & Fittings	49,532.00	10,393.60	-	59,925.60
Computers	65,317.67	93,171.81	-	1,58,489.48
Office Equipments	19,178.39	71,221.31	-	90,399.70
	1,34,028.06	1,74,786.71	-	3,08,814.78

Written Down Value	Balance as at 31.03.2023 Rs.	Balance as at 31.03.2022 Rs.
Furniture & Fittings	41,574.40	51,968.00
Computers	4,11,810.52	2,66,982.33
Office Equipments	11,17,050.30	20,121.61
	15,70,435.22	3,39,071.94

NOTE 4 - INTANGIBLE ASSETS

Cost	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2023 Rs.
Software	-	1,96,510.00	-	1,96,510.00
	-	1,96,510.00	-	1,96,510.00

Depreciation	Balance as at 01.04.2022 Rs.	Charge for the year Rs.	Depreciation on disposals Rs.	Balance as at 31.03.2023 Rs.
Software	-	4,064.80	-	4,064.80
	-	4,064.80	-	4,064.80

Written Down Value	Balance as at 31.03.2023 Rs.	Balance as at 31.03.2022 Rs.
Software	1,92,445.20	-
	1,92,445.20	-

ZYDUS LANKA (PVT) LIMITED		Page 12	
NOTES TO THE FINANCIAL STATEMENTS (CONTD.)		31.03.2023	31.03.2022
		Rs.	Rs.
NOTE 5 - OTHER CURRENT ASSETS			
Finanacial Asset			
Zydus Lifesciences Ltd - Related Company		35,14,537.03	-
Security Deposit		13,54,860.00	3,14,970.00
		<u>48,69,397.03</u>	<u>3,14,970.00</u>
Non Finanacial Asset			
Prepaid Expenses		8,15,595.65	36,028.22
Advances to Employee		19,60,421.98	-
Advance payment to vendor		1,26,00,000.00	-
		<u>1,53,76,017.63</u>	<u>36,028.22</u>
		<u>2,02,45,414.66</u>	<u>3,50,998.22</u>
NOTE 6 - CASH AND CASH EQUIVALENT			
Standard Chartered Bank		1,40,35,629.01	3,98,27,064.82
		<u>1,40,35,629.01</u>	<u>3,98,27,064.82</u>
NOTE 7 - STATED CAPITAL			
Number of Ordinary Shares Issued & Fully Paid			
Balance on 01st April		37,06,304	37,06,304
Shares issued during the year		-	-
Balance on 31st March		<u>37,06,304</u>	<u>37,06,304</u>
Stated Capital			
Balance on 01st April		3,70,63,040.00	3,70,63,040.00
Shares Issued during the year		-	-
Balance on 31st March		<u>3,70,63,040.00</u>	<u>3,70,63,040.00</u>
NOTE 8 - DEFERRED TAXATION (ASSET)/LIABILITY			
Balance on 1st April		16,409.27	-
Deferred Tax Charged / (Reversed) to the Income Statement		(12,58,562.43)	16,409.27
Deferred Tax Charged to Other Comprehensive Income		-	-
Balance on 31st March		<u>(12,42,153.16)</u>	<u>16,409.27</u>
NOTE 9 - TRADE AND OTHER PAYABLES			
Financial Liabilities			
Audit Fees Payable		2,20,000.00	1,65,000.00
Tax Fees Payable		80,000.00	45,000.00
Provision for Warehouse Rent		2,88,095.40	2,96,399.23
Service fee Payable		-	1,28,543.00
Other Payable		1,76,677.30	3,21,231.74
		<u>7,64,772.70</u>	<u>9,56,173.97</u>
Non Financial Liabilities			
WHT Tax Payable		1,23,295.10	-
EPF Payable		5,42,840.59	-
ETF Payable		81,426.09	-
Stamp Duty Payable		75.00	-
Employee Tax Payable APIT		8,64,613.06	-
		<u>23,77,022.54</u>	<u>9,56,173.97</u>

ZYDUS LANKA (PVT) LIMITED		Page 13	
NOTES TO THE FINANCIAL STATEMENTS (CONTD.)		31.03.2023	31.03.2022
		Rs.	Rs.
NOTE 10 - INCOME TAX PAYABLE / (REFUND DUE)			
Balance on 1st April		5,90,291.76	-
Provision for the year		-	5,90,291.76
		5,90,291.76	5,90,291.76
Less :	Withholding Tax Paid		-
	Income Tax Paid	(15,64,242.76)	-
Balance on 31st March		(9,73,951.00)	5,90,291.76
NOTE 11 - FINANCIAL ASSETS & FINANCIAL LIABILITIES			
Financial Assets carried at amortised cost			
Trade & Other Receivables (Note 5)		2,02,45,414.66	3,14,970.00
Cash & Cash Equivalents (Note 6)		1,40,35,629.01	3,98,27,064.82
		3,42,81,043.67	4,01,42,034.82
Financial Liabilities carried at amortised cost			
Trade & Other Payables (Note 9)		23,77,022.54	9,56,173.97
		23,77,022.54	9,56,173.97
NOTE 12 - REVENUE			
Sales of pharmaceutical products		7,20,00,000.00	5,57,25,000.00
		7,20,00,000.00	5,57,25,000.00
NOTE 13 - TAXATION			
Provision for the year		-	5,90,291.76
Under/(Over) provision in respect of previous year		-	-
Transfer to / (from) Deferred Taxation		(12,58,562.43)	16,409.27
		(12,58,562.43)	6,06,701.03
The Company is liable to income tax at 30% (2021/2022 - 24%) on taxable income.			
NOTE 14 - 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 15.			
NOTE 15 - 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 16 - CONTINGENT LIABILITIES & ASSETS			
There were no material contingent liabilities and assets outstanding as at the date of the reporting.			
NOTE 17 - CAPITAL COMMITMENTS			
There were no capital expenditure commitments approved as at 31 st March 2023 in respect of the Company.			

NOTES TO THE FINANCIAL STATEMENTS

NOTE 18 - RELATED PARTY TRANSACTIONS

(a) The Company has entered into the following transactions with related Companies during the year.

Name of the Company	Relationship	Details of Transactions	2023	2022
			Rs.	Rs.
Zydus Lifesciences Limited	Parent	Reimbursement of Expenses	35,14,537.03	-

(b) The balance outstanding from its related Company is disclosed in Note 8 to these Financial Statements.

(c) Transaction with Key Managerial Persons

Key Managerial Persons are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the entity.

There are no transactions with the key managerial persons during this year.

NOTES TO THE FINANCIAL STATEMENTS

31.03.2023

31.03.2022

Rs.

Rs.

NOTE 19 - COST OF SALES

Balance at the beginning of the year

-

-

Purchases

5,43,88,746.00

3,38,94,376.00

5,43,88,746.00

3,38,94,376.00

Balance at the end of the year

-

-

Consumption during the year

5,43,88,746.00

3,38,94,376.00

NOTE 20- DISTRIBUTION COST

New Product Development Expenses

-

42,63,777.00

-

42,63,777.00

NOTE 21- ADMINISTRATIVE EXPENSES

Salary

27,14,201.18

-

Employer Contribution to EPF

3,25,704.36

-

Employer Contribution to ETF

81,426.09

-

Bank Charges & Commission

5,870.00

5,380.00

Company Secretarial Fees

4,68,410.31

2,40,995.24

Legal & Professional Fees

63,03,446.50

30,19,890.00

Audit Fees - Current year

2,20,000.00

1,65,000.00

Tax Fees - Current year

80,000.00

45,000.00

Product Registration Expenses

25,17,701.53

24,21,480.27

Rent Expense

71,27,377.85

12,53,564.82

Miscellaneous Expense

17,84,239.27

6,81,446.49

Depreciation - Furniture & Fittings

10,393.60

12,992.00

Computers

93,171.80

25,381.00

Office Equipment

71,221.31

5,030.39

Software maintenance charges

1,33,841.10

-

Amortization on intangible assets

4,064.80

-

2,19,41,069.69

78,76,160.21

SCHEDULES TO THE FINANCIAL STATEMENTS

31.03.2023
Rs.31.03.2022
Rs.

SCH 1 - ADVANCE & PREPAYMENTS

Prepayments (Refer Note No. 5)

8,15,595.6536,028.228,15,595.6536,028.22