

HALL CHADWICK 
MELBOURNE AUDIT

**SUN PHARMACEUTICAL INDUSTRIES
(AUSTRALIA) PTY LTD**

ABN 64 130 119 603

Audited Financial Statements for the year ended 31 March 2020

Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2020

The directors present their report, together with the financial statements, on the company for the year ended 31 March 2020.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the company after providing for income tax amounted to \$8,497,968 (31 March 2019: \$6,504,772).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 31 March 2020 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2020

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Urvish Nareskumar Bhavsar

30 April 2020

SUN PHARMACEUTICALS INDUSTRIES (AUSTRALIA) PTY LTD
ABN 64 130 119 603

AUDITOR'S INDEPENDENCE DECLARATION UNDER
SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF
SUN PHARMACEUTICALS INDUSTRIES (AUSTRALIA) PTY LTD

In accordance with the requirements of section 307C of the Corporations Act 2011, I declare that, to the best of my knowledge and belief, for the year ended 31 March 2020 there have been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick Melbourne Audit
Chartered Accountants
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Partner: David Lissauer

Date: 19 May 2020



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Sun Pharmaceutical Industries (Australia) Pty Ltd
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General information

The financial statements cover Sun Pharmaceutical Industries (Australia) Pty Ltd as an individual entity. The financial statements are presented in Australian dollars, which is Sun Pharmaceutical Industries (Australia) Pty Ltd's functional and presentation currency.

The principal activities are those of manufacturing, producing and selling opiates products.

Sun Pharmaceutical Industries (Australia) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2020

	Note	2020 \$	2019 \$
Revenue	3	88,739,313	85,300,256
Other income	4	544,061	700,334
Expenses			
Changes in inventories		(36,278,601)	(37,195,485)
Job charges		-	(2,798,295)
Employee expenses		(19,627,409)	(16,589,465)
Consumption expenses		(2,142,619)	(2,260,784)
Depreciation and amortization expense		(6,233,385)	(6,064,672)
Freight		(2,613,743)	(2,877,544)
Utilities		(2,696,953)	(2,418,091)
Other expenses		(11,441,673)	(11,336,158)
Finance costs		(3,072,161)	(3,318,925)
		5,176,830	1,141,171
Foreign exchange loss		(13,674,798)	(7,645,943)
Loss before income tax expense		(8,497,968)	(6,504,772)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd		(8,497,968)	(6,504,772)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd		<u>(8,497,968)</u>	<u>(6,504,772)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of financial position
As at 31 March 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5	-	1,971,188
Trade and other receivables	6	23,130,507	20,286,799
Inventories	7	83,564,047	91,049,163
Other	8	534,223	82,095
Total current assets		<u>107,228,777</u>	<u>113,389,245</u>
Non-current assets			
Property, plant and equipment	9	35,462,719	38,988,458
Right-of-use assets	10	770,174	-
Intangibles	11	4,170,367	4,903,476
Total non-current assets		<u>40,403,260</u>	<u>43,891,934</u>
Total assets		<u>147,632,037</u>	<u>157,281,179</u>
Liabilities			
Current liabilities			
Trade and other payables	12	3,975,156	4,353,683
Borrowings	13	35,269,646	45,743,456
Lease liabilities	14	370,861	-
Employee benefits	15	3,497,537	3,969,623
Interest payable	16	2,969,732	4,782,452
Total current liabilities		<u>46,082,932</u>	<u>58,849,214</u>
Non-current liabilities			
Borrowings	17	85,682,672	74,548,220
Lease liabilities	18	418,644	-
Employee benefits	19	62,012	-
Total non-current liabilities		<u>86,163,328</u>	<u>74,548,220</u>
Total liabilities		<u>132,246,260</u>	<u>133,397,434</u>
Net assets		<u>15,385,777</u>	<u>23,883,745</u>
Equity			
Issued capital	20	69,644,649	69,644,649
Accumulated losses		<u>(54,258,872)</u>	<u>(45,760,904)</u>
Total equity		<u>15,385,777</u>	<u>23,883,745</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of changes in equity
For the year ended 31 March 2020

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2018	69,644,649	(39,256,132)	30,388,517
Loss after income tax expense for the year	-	(6,504,772)	(6,504,772)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(6,504,772)	(6,504,772)
Balance at 31 March 2019	<u>69,644,649</u>	<u>(45,760,904)</u>	<u>23,883,745</u>
	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 April 2019	69,644,649	(45,760,904)	23,883,745
Loss after income tax expense for the year	-	(8,497,968)	(8,497,968)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive loss for the year	-	(8,497,968)	(8,497,968)
Balance at 31 March 2020	<u>69,644,649</u>	<u>(54,258,872)</u>	<u>15,385,777</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of cash flows
For the year ended 31 March 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		96,640,468	93,074,333
Payments to suppliers (inclusive of GST)		<u>(78,733,778)</u>	<u>(88,536,958)</u>
		17,906,690	4,537,375
Interest received		26,120	19,458
Interest and other finance costs paid		<u>(5,762,784)</u>	<u>(1,381,891)</u>
Net cash from operating activities		<u>12,170,026</u>	<u>3,174,942</u>
Cash flows from investing activities			
Payments for property, plant and equipment	9	(1,574,326)	(1,056,447)
Payments for intangibles	11	(51,921)	(54,315)
Proceeds from disposal of property, plant and equipment		95,564	157,753
Payments of finance lease liabilities		<u>(347,200)</u>	<u>-</u>
Net cash used in investing activities		<u>(1,877,883)</u>	<u>(953,009)</u>
Cash flows from financing activities			
Proceeds from borrowings - Sun Pharmaceutical Global (FZE)		-	13,249,910
Proceeds from borrowings - bank loans		5,000,000	23,484,745
Payments of borrowings - bank loans		<u>(19,970,112)</u>	<u>(29,500,000)</u>
Net cash from/(used in) financing activities		<u>(14,970,112)</u>	<u>7,234,655</u>
Net increase/(decrease) in cash and cash equivalents		(4,677,969)	9,456,588
Cash and cash equivalents at the beginning of the financial year		<u>(5,348,762)</u>	<u>(14,805,350)</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>(10,026,731)</u></u>	<u><u>(5,348,762)</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Revenue recognition

The company recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Revenue is recognised at the point in time when the customer or its agent obtains control of the goods, which is based on the incoterms agreed between the customer and the company.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash at bank. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value less any provision for impairment. Trade receivables are generally due for settlement within 30-120 days.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 1. Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss. The land and buildings were revalued on October 2016 based on independent assessments by a member of the Australian Property Institute (AON).

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 1. Significant accounting policies (continued)

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 1. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 March 2020. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	2020 \$	2019 \$
Domestic sales	6,632,708	12,523,593
Export sales	82,106,605	72,776,663
Revenue	<u>88,739,313</u>	<u>85,300,256</u>

Note 4. Other income

	2020 \$	2019 \$
Other income	<u>544,061</u>	<u>700,334</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 5. Current assets - cash and cash equivalents

	2020 \$	2019 \$
Cash at bank	-	1,971,188
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	-	1,971,188
Bank overdraft (note 13)	(10,026,731)	(7,319,950)
Balance as per statement of cash flows	<u>(10,026,731)</u>	<u>(5,348,762)</u>

Note 6. Current assets - trade and other receivables

	2020 \$	2019 \$
Trade receivables	20,847,738	19,446,653
Trade receivables - Sun Pharmaceuticals Industries Limited	310,286	270,098
Unbilled accounts - Alkaloida Chemical Company Zrt	468,106	-
	<u>21,626,130</u>	<u>19,716,751</u>
BAS receivable	1,504,377	570,048
	<u>23,130,507</u>	<u>20,286,799</u>

The ageing of the receivables are as follows:

	Carrying amount	
	2020 \$	2019 \$
Not overdue (includes BAS and unbilled accounts)	15,890,349	16,878,737
0- 30 days overdue	775,967	783,200
31 to 60 days overdue	4,641,818	2,345,247
61 to 90 days overdue	1,562,955	9,517
91 days and over	259,418	270,098
	<u>23,130,507</u>	<u>20,286,799</u>

Note 7. Current assets - inventories

	2020 \$	2019 \$
Raw materials - at net realisable value	53,330,004	49,634,614
Work in progress - at net realisable value	14,257,540	28,745,459
Finished goods - at net realisable value	15,976,503	12,669,090
	<u>83,564,047</u>	<u>91,049,163</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 8. Current assets - other

	2020 \$	2019 \$
Prepayments	534,223	82,095

Note 9. Non-current assets - property, plant and equipment

	2020 \$	2019 \$
Land - at cost	1,886,212	1,886,212
Freehold improvements - at cost	11,769,761	11,644,090
Less: Accumulated depreciation	(2,649,564)	(1,986,543)
	<u>9,120,197</u>	<u>9,657,547</u>
Plant and equipment - at cost	43,460,873	41,821,475
Less: Accumulated depreciation	(20,279,031)	(15,970,731)
	<u>23,181,842</u>	<u>25,850,744</u>
Fixtures and fittings - at cost	478,599	475,332
Less: Accumulated depreciation	(372,622)	(307,712)
	<u>105,977</u>	<u>167,620</u>
Motor vehicles - at cost	43,063	69,821
Less: Accumulated depreciation	(40,996)	(57,272)
	<u>2,067</u>	<u>12,549</u>
Capital work in progress - at cost	1,166,424	1,413,786
	<u>35,462,719</u>	<u>38,988,458</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land - at cost \$	Freehold improvements \$	Plant and equipment \$	Fixtures and fittings \$	Motor vehicles \$	Capital - work in progress \$	Total \$
Balance at 1 April 2018	1,886,212	8,185,857	27,017,741	241,882	60,977	5,989,814	43,382,483
Additions	-	-	-	-	-	1,056,447	1,056,447
Disposals	-	-	-	-	(19,237)	-	(19,237)
Reclass	-	41,817	(198,228)	-	-	-	(156,411)
Transfers in/(out)	-	2,207,670	3,424,805	-	-	(5,632,475)	-
Depreciation expense	-	(777,797)	(4,393,574)	(74,262)	(29,191)	-	(5,274,824)
Balance at 31 March 2019	1,886,212	9,657,547	25,850,744	167,620	12,549	1,413,786	38,988,458
Additions	-	-	-	-	-	1,574,325	1,574,325
Disposals	-	-	(14,227)	-	(4,013)	-	(18,240)
Transfers in/(out)	-	125,671	1,692,749	3,267	-	(1,821,687)	-
Depreciation expense	-	(663,021)	(4,347,424)	(64,910)	(6,469)	-	(5,081,824)
Balance at 31 March 2020	<u>1,886,212</u>	<u>9,120,197</u>	<u>23,181,842</u>	<u>105,977</u>	<u>2,067</u>	<u>1,166,424</u>	<u>35,462,719</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 10. Non-current assets - right-of-use assets

	2020 \$	2019 \$
Motor vehicles - right-of-use	394,397	-
Less: Accumulated depreciation	<u>(168,583)</u>	<u>-</u>
	225,814	-
Warehouse - right-of-use	742,309	-
Less: Accumulated depreciation	<u>(197,949)</u>	<u>-</u>
	544,360	-
	<u>770,174</u>	<u>-</u>

Note 11. Non-current assets - intangibles

	2020 \$	2019 \$
Software - at cost	539,863	487,942
Less: Accumulated amortisation	<u>(431,996)</u>	<u>(396,966)</u>
	107,867	90,976
Technology and KnowHow	7,500,000	7,500,000
Less: Accumulated amortisation	<u>(3,437,500)</u>	<u>(2,687,500)</u>
	4,062,500	4,812,500
	<u>4,170,367</u>	<u>4,903,476</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software \$	Technology and KnowHow \$	Total \$
Balance at 1 April 2018	76,508	5,562,500	5,639,008
Additions	54,315	-	54,315
Amortisation expense	<u>(39,847)</u>	<u>(750,000)</u>	<u>(789,847)</u>
Balance at 31 March 2019	90,976	4,812,500	4,903,476
Additions	51,921	-	51,921
Amortisation expense	<u>(35,030)</u>	<u>(750,000)</u>	<u>(785,030)</u>
Balance at 31 March 2020	<u>107,867</u>	<u>4,062,500</u>	<u>4,170,367</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 12. Current liabilities - trade and other payables

	2020 \$	2019 \$
Trade payables	3,019,581	2,702,715
Trade payables - foreign creditors	(58,922)	480,133
Other payables	1,014,497	1,170,835
	<u>3,975,156</u>	<u>4,353,683</u>

Note 13. Current liabilities - borrowings

	2020 \$	2019 \$
Bank overdraft	10,026,731	7,319,950
Bank loans	25,242,915	38,423,506
	<u>35,269,646</u>	<u>45,743,456</u>

Note 14. Current liabilities - lease liabilities

	2020 \$	2019 \$
Lease liability - warehouse	194,603	-
Lease liability - motor vehicles	176,258	-
	<u>370,861</u>	<u>-</u>

Note 15. Current liabilities - employee benefits

	2020 \$	2019 \$
Provision for leave	3,497,537	3,969,623
	<u>3,497,537</u>	<u>3,969,623</u>

The provision for employee benefits have been revalued at year end. The corresponding impact to profit and loss was recognised under employee expense account.

Note 16. Current liabilities - Interest payable

	2020 \$	2019 \$
Interest payable - Sun Pharma Global FZE loan	2,969,732	4,782,452
	<u>2,969,732</u>	<u>4,782,452</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 17. Non-current liabilities - borrowings

	2020 \$	2019 \$
Loan - Sun Pharmaceutical Global (FZE)	85,682,672	74,548,220

Total unsecured liabilities

The unsecured liabilities (current and non-current) are as follows:

	2020 \$	2019 \$
Bank overdraft	10,026,731	7,319,950
Bank loans	25,242,915	38,423,506
Loan - Sun Pharmaceutical Global (FZE)	85,682,672	74,548,219
	<u>120,952,318</u>	<u>120,291,675</u>

The long term loan from Sun Pharmaceutical Global (FZE) bears an annual interest based on prevailing current rate. The company has short term loans with an average interest rate of 3.3178% (2018: 2.9077%).

Note 18. Non-current liabilities - lease liabilities

	2020 \$	2019 \$
Lease liability - warehouse	367,141	-
Lease liability - motor vehicles	51,503	-
	<u>418,644</u>	<u>-</u>

Note 19. Non-current liabilities - Employee benefits

	2020 \$	2019 \$
Employee benefits	62,012	-

Note 20. Equity - issued capital

	2020 Shares	2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	-	69,644,649	69,644,649	69,644,649

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2020

Note 21. Application of AASB 16 Leases

	2020 \$	2019 \$
<i>Lease commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Operating lease commitments as at 31 March 2019	1,188,993	-
Discounted using the lessee's incremental borrowing rate of 2.27% at the date of initial application	<u>(52,287)</u>	<u>-</u>
Lease liability recognised on 1 April 2019	<u><u>1,136,706</u></u>	<u><u>-</u></u>

Note 22. Events after the reporting period

No matter or circumstance has arisen since 31 March 2020 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' declaration
31 March 2020

In the directors' opinion:

- the company is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd;
- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards as described in note 1 to the financial statements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 31 March 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Urvish Nareskumar Bhavsar

30 April 2020

SUN PHARMACEUTICALS INDUSTRIES (AUSTRALIA) PTY LTD
ABN 64 130 119 603

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SUN PHARMACEUTICALS INDUSTRIES (AUSTRALIA) PTY LTD**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sun Pharmaceuticals Industries (Australia) Pty Ltd (the Company), which comprises the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Sun Pharmaceuticals Industries (Australia) Pty Ltd, is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 March 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of a Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 March 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian 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 this financial report.

Partner: David Lissauer

Hall Chadwick Melbourne Audit
Level 14, 440 Collins Street
MELBOURNE VIC 3000

Date: 19 May 2020