Sun Pharmaceutical Industries (Australia) Pty Ltd

Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd

ABN 64 130 119 603

Annual Report - 31 March 2016

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2016

The directors present their report, together with the financial statements, on the company for the year ended 31 March 2016.

Principal activities
During the financial year the principal continuing activities of the company consisted of:
- The supply of pharmaceutical products.

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 $5,553,832 (31 March 2015: $1,102,016).

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 2016 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 2016 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.

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 on the following page.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2016

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

____

26 May 2016

[This page has intentionally been left blank for the insertion of the auditor's independence declaration]

SOTHERTONS L.L.P.
CHARTERED ACCOUNTANTS

D. A. Lissauer B.Com., FCPA, Affiliate ICAA
R. P. Lissauer B.Ec., M.Tax, CA, FTIA
M. R. Lipson B.Bus., B.Ed., AI.Arb.A, CA

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

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

TO THE DIRECTOR OF SUN PHARMACEUTICAL INDUSTRIES (AUSTRALIA) PTY LTD

I declare that, to the best of my knowledge and belief, in relation to the audit of Sun Pharmaceutical Industries (Australia) Pty Ltd for the year ended 31 March 2016 there has 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.

Sothertons L.L.P.
Chartered Accountants
Level 6, 468 St Kilda Road
MELBOURNE VIC 3004

Partner: David Lissauer

Dated this **day of** **2016**

PrimeGlobal — An Association of Independent Accounting Firms

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SOTHERTONS L.L.P. ABN 41 134 806 025
REGISTERED COMPANY AUDITORS
Liability limited by a scheme approved under Professional Standards Legislation

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

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTOR OF
SUN PHARMACEUTICAL INDUSTRIES (AUSTRALIA) PTY LTD

Report on the Financial Report

We have audited the accompanying financial report of Sun Pharmaceutical Industries (Australia) Pty Ltd which comprises the statement of financial position as at 31 March 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the entity.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTOR OF
SUN PHARMACEUTICAL INDUSTRIES (AUSTRALIA) PTY LTD

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Sun Pharmaceutical Industries (Australia) Pty Ltd would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

a) the financial report of Sun Pharmaceutical Industries (Australia) Pty Ltd is in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the company's financial position as at 31 March 2016 and of its performance for the year ended on that date; and

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Sothertons L.L.P.
Chartered Accountants
Level 6, 468 St Kilda Road
MELBOURNE VIC 3004

Partner: David Lissauer

Dated this day of 2016

Contents

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.

Sun Pharmaceutical Industries (Australia) Pty Ltd is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2016

	Note	2016 $	2015 $
Revenue	3	45,522,138	3,905,166
Other income	4	3,325,754	(18,504)
Expenses*			
Raw materials used		(59,339,331)	(4,280,615)
Changes in inventories of finished goods, work-in-progress and stock on hand		50,864,747	-
Employee expenses		(17,139,025)	(275,600)
Consumption expenses		(2,870,736)	-
Depreciation and amortisation expense		(3,385,159)	(61)
Other expenses		(19,753,574)	(424,024)
Finance costs		(2,778,646)	(8,378)
Loss before income tax expense		(5,553,832)	(1,102,016)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd		(5,553,832)	(1,102,016)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd		(5,553,832)	(1,102,016)

* For the break-up details of the expenditures, please refer to the reporting package

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
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of financial position
As at 31 March 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	128	371,015
Trade and other receivables	6	12,790,286	460,196
Inventories	7	103,802,726	224,955
Other	8	949,010	-
Total current assets		117,542,150	1,056,166
Non-current assets			
Property, plant and equipment	9	50,430,396	1,703
Intangibles	10	7,408,929	-
Total non-current assets		57,839,325	1,703
Total assets		175,381,475	1,057,869
Liabilities			
Current liabilities			
Trade and other payables	11	7,063,375	38,844
Borrowings	12	5,275,512	16,721
Income tax	13	-	(3,728)
Provisions	14	14,816,397	-
Other	15	2,532,148	5,000
Total current liabilities		29,684,776	56,837
Non-current liabilities			
Borrowings	16	98,616,215	3,013,921
Total non-current liabilities		98,616,215	3,013,921
Total liabilities		128,303,647	3,070,758
Net assets/(liabilities)		47,077,828	(2,012,889)
Equity			
Issued capital	17	54,644,649	100
Accumulated losses		(7,566,821)	(2,012,989)
Total equity/(deficiency)		47,077,828	(2,012,889)

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

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of changes in equity
For the year ended 31 March 2016

	Issued capital $	Retained profits $	Total deficiency $
Balance at 1 April 2014	100	(910,973)	(910,873)
Loss after income tax expense for the year	-	(1,102,016)	(1,102,016)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(1,102,016)	(1,102,016)
Balance at 31 March 2015	100	(2,012,989)	(2,012,889)

	Issued capital $	Retained profits $	Total deficiency $
Balance at 1 April 2015	100	(2,012,989)	(2,012,889)
Loss after income tax expense for the year	-	(5,553,832)	(5,553,832)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(5,553,832)	(5,553,832)
Preference shares issues	54,644,549	-	54,644,549
Balance at 31 March 2016	54,644,649	(7,566,821)	47,077,828

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

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of cash flows
For the year ended 31 March 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		42,271,229	4,285,773
Payments to suppliers (inclusive of GST)		(38,568,171)	(4,610,845)
		3,703,058	(325,072)
Interest received		6,946	19,659
Interest and other finance costs paid		(2,778,646)	-
Net cash from/(used in) operating activities		931,358	(305,413)
Cash flows from investing activities			
Payments for property, plant and equipment	9	(61,222,781)	(1,543)
Net cash used in investing activities		(61,222,781)	(1,543)
Cash flows from financing activities			
Proceeds from issue of shares	17	54,644,549	-
Net cash from financing activities		54,644,549	-
Net decrease in cash and cash equivalents		(5,646,874)	(306,956)
Cash and cash equivalents at the beginning of the financial year		371,490	678,446
Cash and cash equivalents at the end of the financial year	5	(5,275,384)	371,490

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

Note 1. Significant accounting policies

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. During 2016 financial year, Sun Pharmaceuticals Ltd has taken over GlaxoSmithKline Australia Pty Ltd and owned 100%.

Sun Pharmaceutical Industries (Australia) Pty Ltd is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors. The directors have the power to amend and reissue the financial statements.

Sun Pharmaceutical Industries (Australia) Pty Ltd is not publicly accountable therefore directors elected to adopt the Australian Accounting Standard – Reduce Disclosure Requirement.

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, revised or amending Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, 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 available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, 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.

Foreign currency translation

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

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Note 1. Significant accounting policies (continued)

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

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 on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. 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.

Note 1. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30-90 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.

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.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

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.

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.

Note 1. Significant accounting policies (continued)

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
Plant and equipment under lease	2-5 years

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

Leasehold improvements and plant and equipment under lease 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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.

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.

Technology and Know-How has a useful life of 10 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 1. Significant accounting policies (continued)

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.

Provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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.

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.

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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

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.

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.

Goodwill and other indefinite life intangible assets
The company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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.

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

	2016 $	2015 $
Sales revenue		
Sales	45,298,648	3,885,507
Other revenue		
Interest	6,946	19,659
Other revenue	216,544	-
	223,490	19,659
Revenue	45,522,138	3,905,166

Note 4. Other income

Net foreign exchange gain / loss	3,325,754	(18,504)

Note 5. Current assets - cash and cash equivalents

Cash at bank	128	371,015

Reconciliation to cash and cash equivalents at the end of the financial year
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	128	371,015
Bank overdraft (note 12)	(5,275,512)	475
Balance as per statement of cash flows	(5,275,384)	371,490

Note 6. Current assets - trade and other receivables

Trade receivables	11,550,193	387,563
BAS receivable	1,240,093	(6,471)
Reimbursable Expenses - SPIL	-	42,295
Reimbursable Expenses - Sun Pharma Global FZE	-	36,809
	12,790,286	460,196

Note 7. Current assets - inventories

Raw materials - at cost	42,037,683	-
Work in progress - at cost	22,234,091	-
Finished goods - at cost	39,530,952	224,955
	103,802,726	224,955

Note 8. Current assets - other

	2016 $	2015 $
Prepayments	932,944	-
Other deposits	16,066	-
	949,010	-

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

	2016 $	2015 $
Land - at cost	1,773,298	-
Freehold improvements - work in progress	7,301,606	-
Freehold improvements - at cost	8,129,633	-
Less: Accumulated depreciation	(277,131)	-
	15,154,108	-
Plant and equipment - at cost	35,372,380	3,131
Less: Accumulated depreciation	(2,490,136)	(1,428)
	32,882,244	1,703
Fixtures and fittings - at cost	475,332	-
Less: Accumulated depreciation	(53,335)	-
	421,997	-
Motor vehicles - at cost	240,036	-
Less: Accumulated depreciation	(41,287)	-
	198,749	-
	50,430,396	1,703

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

	Land - at cost $	Freehold improvements $	Plant and equipment $	Fixtures and fittings $	Motor vehicles $	Total $
Balance at 1 April 2015	-	-	1,703	-	-	1,703
Additions	1,773,298	15,431,239	35,369,249	475,332	240,036	53,289,154
Depreciation expense	-	(277,131)	(2,488,708)	(53,335)	(41,287)	(2,860,461)
Balance at 31 March 2016	1,773,298	15,154,108	32,882,244	421,997	198,749	50,430,396

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

Valuations of land and buildings
Independent valuation of the net assets acquired from GlaxoSmithKline Australia Pty Ltd is yet to be obtained and may change the fair value of the net assets that are currently reported on the component entity's balance sheet. As the business acquisition occurred during this financial year, it is understood that a valuation report will be obtained during the coming financial year by the component entity to determine the fair value of the net assets. At this stage, the financial effect of this matter cannot be fully quantified.

The difference between the value recorded and the independent valuation report will not result in any additional considerations payable to GlaxoSmithKline Australia Pty Ltd. The independent valuation report is purely used to update the net assets recorded in the component's accounts at fair value. If there are differences to the value recorded and the independent valuation report obtained, an adjustment will be made to the assets' written down value to record it at fair value, in accordance with the Australian Accounting Standards.

Note 10. Non-current assets - intangibles

	2016 $	2015 $
Software - at cost	433,627	-
Less: Accumulated amortisation	(87,198)	-
	346,429	-
Technology and Know-How	7,500,000	-
Less: Accumulated amortisation	(437,500)	-
	7,062,500	-
	7,408,929	-

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

	Technology and Know-How $	Software $	Total $
Balance at 1 April 2015	-	-	-
Additions	7,500,000	433,627	7,933,627
Amortisation expense	(437,500)	(87,198)	(524,698)
Balance at 31 March 2016	7,062,500	346,429	7,408,929

Note 11. Current liabilities - trade and other payables

	2016	2015
Trade payables	1,180,992	(45,656)
Trade payables - foreign creditors	3,785,502	-
Other payables	2,096,881	84,500
	7,063,375	38,844

Note 12. Current liabilities - borrowings

	2016 $	2015 $
Bank overdraft	5,275,512	(475)
Loan - Geoff Zippel	-	17,196
	5,275,512	16,721

Note 13. Current liabilities - income tax

Provision for income tax	-	(3,728)

Note 14. Current liabilities - provisions

Annual leave	5,474,478	-
GlaxoSmithKline Australia's stocks (note 19)	8,954,010	-
Other	387,909	-
	14,816,397	-

Note 15. Current liabilities - other

Accrued expenses	2,532,148	5,000

Note 16. Non-current liabilities - borrowings

Loan - Alkaloida	-	318,203
Loan - Sun Pharma	-	2,695,718
Loan - Subsidiary companies	71,059,735	-
Loan – Citi Bank	27,556,480	-
	98,616,215	3,013,921

Total secured liabilities

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

Bank overdraft	5,275,512	(475)
Loan – Citi Bank	27,556,480	-
Loan - Subsidiary companies	71,059,735	-
Loan - Alkaloida	-	335,399
Loan - Sun Pharma	-	2,695,718
	103,891,727	3,030,642

Note 17. Equity - issued capital

	2016 Shares	2015 Shares	2016 $	2015 $
Ordinary shares - fully paid	100	100	100	100
Preference shares - fully paid	54,644,549	-	54,644,549	-
	54,644,649	100	54,644,649	100

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.

Note 18. Equity - dividends

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

Note 19. Provision for the valuation of GlaxoSmithKline Australia's stocks

As part of the purchase of the business by the component entity from GlaxoSmithKline Australia Pty Ltd, the terms of the Business Sale Agreement require both the vendor (GlaxoSmithKline Australia Pty Ltd) and purchaser (Sun Pharmaceutical Industries (Australia) Pty Ltd) to engage external accountants to perform a valuation of the inventory on transfer of the business to determine the actual inventory amount by value. The valuation of the draft inventory amount at the time of the purchase of the business was $70,000,000. Any differences to this amount will be adjusted in accordance to the valuations prepared by the external accountants and any amount in excess of $70,000,000 will require the component entity to pay the vendor the difference.

The terms of the Business Sale Agreement specify the following:

- Where the two valuation reports from the external accountants are the same, the valuation will become the final inventory amount.
- Where there is a difference between the two valuation reports, but the difference is less than $2,000,000, an average mean will be taken and used as the final inventory amount.
- Where there is a difference between the two valuation reports, and the difference is greater than $2,000,000, a third independent accountant is to be appointed to determine to the final inventory amount.

A draft valuation report prepared by KPMG for Sun Pharmaceutical Industries (Australia) Pty Ltd has been received and the valuation is recorded as $81,017,635, subjected to management's approval. The break-up of the $81,017,635 includes $79,817,037 of counted stock and $1,200,598 of non-counted stock (near expiry) stock.

A report from the vendor's external accountant is yet to be received. As of today, the component entity has noted that there is a provision liability of $8,954,010 based on the valuation provided by KPMG which is in excess of the initial valuation amount of $70,000,000.

The local management is still waiting for the second valuation report from GlaxoSmithKline Australia Pty Ltd. As per the sale contract, a third independent valuation may be required to be obtained to settle any significant differences between the first two independent reports. There is also an opportunity for the local management to negotiate and agree on a final inventory value.

Note 20. Related party transactions

Transactions with related parties
The following transactions occurred with related parties:

	2016 $	2015 $
Sale of goods and services:		
Sale of goods to subsidiaries	2,442,245	-
Payment for goods and services:		
Purchase of goods from subsidiaries	1,441,270	-
Payment for other expenses:		
Interest paid to subsidiaries	2,534,290	-

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables:		
Trade receivables from subsidiaries	320,198	-
Current payables:		
Trade payables to subsidiaries	3,785,502	-
Accrued interest payables to subsidiaries	2,280,861	-

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

Current borrowings:		
Loan from subsidiaries	71,059,735	-

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Events after the reporting period

No matter or circumstance has arisen since 31 March 2016 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
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' declaration
31 March 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, 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 2016 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

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26 May 2016