

Sun Pharmaceutical Industries (Australia) Pty Ltd

ABN 64130119603

Annual Report - 31 March 2018

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2018

The directors present their report, together with the financial statements, on the company for the year ended 31 March 2018.

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 \$24,438,235 (31 March 2017: \$7,251,074).

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 2018 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 2018 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 immediately after this directors' report.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Directors' report
31 March 2018

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

Dated

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 2018 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

Dated this 17th day of May 2018



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Independent Accounting Firms

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Hall Chadwick Melbourne Audit
ABN 41 134 806 025 Registered Company Auditors.

Level 14 440 Collins Street Melbourne VIC 3000 T: +61 3 9820 6400
Post: Locked Bag 777 Collins Street West VIC 8007 Australia
www.hallchadwickmelb.com.au E: hcm@hallchadwickmelb.com.au
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Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as 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.

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

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 2018

	Note	2018 \$	2017 \$
Revenue	3	70,328,395	105,293,509
Other income	4	733,608	(989,678)
Expenses			
Raw materials used		(34,196,320)	(41,477,663)
Employee expenses		(22,354,330)	(24,666,570)
Consumption expenses		(3,687,895)	(1,713,169)
Depreciation and amortization expense		(5,927,595)	(6,178,859)
Other expenses		(26,951,669)	(32,430,109)
Finance costs		(2,382,429)	(5,088,535)
Loss before income tax expense		(24,438,235)	(7,251,074)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Sun Pharmaceutical Industries (Australia) Pty Ltd		(24,438,235)	(7,251,074)
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		<u>(24,438,235)</u>	<u>(7,251,074)</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
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Statement of financial position
As at 31 March 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	5	1,620,730	663,873
Trade and other receivables	6	18,139,694	27,571,319
Inventories	7	102,531,622	98,278,355
Other	8	87,998	403,235
Total current assets		<u>122,380,044</u>	<u>126,916,782</u>
Non-current assets			
Property, plant and equipment	9	43,382,483	45,950,774
Intangibles	10	5,639,008	6,509,448
Total non-current assets		<u>49,021,491</u>	<u>52,460,222</u>
Total assets		<u>171,401,535</u>	<u>179,377,004</u>
Liabilities			
Current liabilities			
Trade and other payables	11	10,050,166	7,684,902
Borrowings	12	58,968,991	33,242,327
Provisions	13	6,023,433	6,149,540
Other	14	2,845,418	13,621,430
Total current liabilities		<u>77,888,008</u>	<u>60,698,199</u>
Non-current liabilities			
Borrowings	15	55,792,036	71,598,911
Other	16	7,332,973	7,253,142
Total non-current liabilities		<u>63,125,009</u>	<u>78,852,053</u>
Total liabilities		<u>141,013,017</u>	<u>139,550,252</u>
Net assets		<u>30,388,518</u>	<u>39,826,752</u>
Equity			
Issued capital	17	69,644,649	54,644,649
Accumulated losses		(39,256,131)	(14,817,897)
Total equity		<u>30,388,518</u>	<u>39,826,752</u>

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 2018

	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 April 2016	54,644,649	(7,566,823)	47,077,826
Loss after income tax expense for the year	-	(7,251,074)	(7,251,074)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(7,251,074)	(7,251,074)
Balance at 31 March 2017	<u>54,644,649</u>	<u>(14,817,897)</u>	<u>39,826,752</u>
Balance at 1 April 2017	54,644,649	(14,817,897)	39,826,752
Loss after income tax expense for the year	-	(24,438,235)	(24,438,235)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(24,438,235)	(24,438,235)
Preference shares issues	15,000,000	-	15,000,000
Balance at 31 March 2018	<u>69,644,649</u>	<u>(39,256,132)</u>	<u>30,388,517</u>

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 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		88,925,346	100,761,805
Payments to suppliers (inclusive of GST)		<u>(118,350,198)</u>	<u>(98,186,995)</u>
		(29,424,852)	2,574,810
Interest received		25,425	11,314
Interest and other finance costs paid		<u>(2,382,429)</u>	<u>(5,088,535)</u>
Net cash used in operating activities		<u>(31,781,856)</u>	<u>(2,502,411)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	9	(2,519,146)	(794,903)
Proceeds from disposal of property, plant and equipment		<u>25,439</u>	<u>-</u>
Net cash used in investing activities		<u>(2,493,707)</u>	<u>(794,903)</u>
Cash flows from financing activities			
Proceeds from issue of shares	17	<u>15,000,000</u>	<u>-</u>
Net cash from financing activities		<u>15,000,000</u>	<u>-</u>
Net decrease in cash and cash equivalents		(19,275,563)	(3,297,314)
Cash and cash equivalents at the beginning of the financial year		<u>(8,572,698)</u>	<u>(5,275,384)</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>(27,848,261)</u></u>	<u><u>(8,572,698)</u></u>

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

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2018

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 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.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2018

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.

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.

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.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2018

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

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.

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.

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 2018. 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.

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.

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2018

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.

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.

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

	2018 \$	2017 \$
<i>Sales revenue</i>		
Sales	69,558,876	104,327,924
<i>Other revenue</i>		
Interest	25,425	11,314
Other revenue	744,094	954,271
	<u>769,519</u>	<u>965,585</u>
Revenue	<u>70,328,395</u>	<u>105,293,509</u>

Sun Pharmaceutical Industries (Australia) Pty Ltd
Trading as Sun Pharmaceutical Industries (Australia) Pty Ltd
Notes to the financial statements
31 March 2018

Note 4. Other income

	2018 \$	2017 \$
Net foreign exchange gain / loss	733,608	(989,678)

Note 5. Current assets - cash and cash equivalents

	2018 \$	2017 \$
Cash at bank	1,620,730	663,873

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	1,620,730	663,873
Bank overdraft (note 12)	(29,468,991)	(9,236,571)
Balance as per statement of cash flows	(27,848,261)	(8,572,698)

Note 6. Current assets - trade and other receivables

	2018 \$	2017 \$
Trade receivables	14,364,005	25,292,041
BAS receivable	3,775,689	2,279,278
	18,139,694	27,571,319

Note 7. Current assets - inventories

	2018 \$	2017 \$
Raw materials - at cost	46,853,711	28,118,892
Work in progress - at cost	33,315,101	48,260,911
Finished goods - at cost	22,362,810	21,898,552
	102,531,622	98,278,355

Note 8. Current assets - other

	2018 \$	2017 \$
Prepayments	64,856	380,093
Other deposits	23,142	23,142
	87,998	403,235

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

	2018 \$	2017 \$
Land - at cost	1,886,212	1,886,212
Freehold improvements - work in progress	5,989,814	4,695,668
Freehold improvements - at cost	9,394,603	8,169,603
Less: Accumulated depreciation	<u>(1,208,746)</u>	<u>(749,061)</u>
	14,175,671	12,116,210
Plant and equipment - at cost	38,594,898	38,625,190
Less: Accumulated depreciation	<u>(11,577,157)</u>	<u>(7,135,781)</u>
	27,017,741	31,489,409
Fixtures and fittings - at cost	475,332	475,332
Less: Accumulated depreciation	<u>(233,450)</u>	<u>(144,359)</u>
	241,882	330,973
Motor vehicles - at cost	240,036	240,036
Less: Accumulated depreciation	<u>(179,059)</u>	<u>(112,066)</u>
	60,977	127,970
	<u>43,382,483</u>	<u>45,950,774</u>

Valuations of land and buildings

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The land and buildings were last revalued on October 2016 based on independent assessments by a member of the Australian Property Institute (AON).

Note 10. Non-current assets - intangibles

	2018 \$	2017 \$
Software - at cost	433,627	433,627
Less: Impairment	<u>(357,119)</u>	<u>(236,679)</u>
	76,508	196,948
Technology and KnowHow	7,500,000	7,500,000
Less: Accumulated amortisation	<u>(1,937,500)</u>	<u>(1,187,500)</u>
	5,562,500	6,312,500
	<u>5,639,008</u>	<u>6,509,448</u>

Note 11. Current liabilities - trade and other payables

	2018 \$	2017 \$
Trade payables	7,712,095	5,088,268
Trade payables - foreign creditors	284,399	26,041
Other payables	<u>2,053,672</u>	<u>2,570,593</u>
	<u>10,050,166</u>	<u>7,684,902</u>

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Note 12. Current liabilities - borrowings

	2018 \$	2017 \$
Bank overdraft	29,468,991	9,236,571
Bank loans	29,500,000	24,005,756
	<u>58,968,991</u>	<u>33,242,327</u>

Note 13. Current liabilities - provisions

	2018 \$	2017 \$
Annual leave	5,912,959	5,923,452
Other	110,474	226,088
	<u>6,023,433</u>	<u>6,149,540</u>

Note 14. Current liabilities - other

	2018 \$	2017 \$
Contractual liability - GlaxoSmithKline Australia Pty Ltd	-	9,750,687
Accrued expenses	2,845,418	3,870,743
	<u>2,845,418</u>	<u>13,621,430</u>

Note 15. Non-current liabilities - borrowings

	2018 \$	2017 \$
Loan - Sun Pharma Global	55,792,036	71,598,911
	<u>55,792,036</u>	<u>71,598,911</u>

Total secured liabilities

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

	2018 \$	2017 \$
Bank overdraft	29,468,991	9,236,571
Bank loans	29,500,000	24,005,756
Loan - Sun Pharma Global	55,792,036	71,598,911
	<u>114,761,027</u>	<u>104,841,238</u>

Note 16. Non-current liabilities - other

	2018 \$	2017 \$
Contractual liability - GlaxoSmithKline Australia Pty Ltd	7,332,973	7,253,142
	<u>7,332,973</u>	<u>7,253,142</u>

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Note 17. Equity - issued capital

	2018 Shares	2017 Shares	2018 \$	2017 \$
Ordinary shares - fully paid	100	100	100	100
Preference shares - fully paid	<u>69,644,549</u>	<u>54,644,549</u>	<u>69,644,549</u>	<u>54,644,549</u>
	<u><u>69,644,649</u></u>	<u><u>54,644,649</u></u>	<u><u>69,644,649</u></u>	<u><u>54,644,649</u></u>

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.

Note 18. Events after the reporting period

No matter or circumstance has arisen since 31 March 2018 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.

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Directors' declaration
31 March 2018

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 2018 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

Dated