NATCO PHARMA AUSTRALIA PTY LTD

ABN 40 601 572 301

FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2018

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

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DIRECTORS' REPORT

Your directors present their report on the company for the year ended 31 March 2018.

Directors

The names of the directors in office at any time during or since the end of the year are:

Bhujanga Rao Adibhatla Kali Satya

Subba Rao Mente

Alakkudi Sundararaman (commenced 1 May 2017)

Apparao Sannidhanam Veera Venkata Narasimha

Tuen Yee Wong (resigned 1 May 2017)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The loss of the company for the year after providing for income tax amounted to $31,601 (2017: loss of $577,654).

A review of the operations of the company during the year and the results of those operations are as follows:

Significant Changes in the State of Affairs

No significant changes in the company's state of affairs occurred during the year.

Principal Activities

The principal activities of the company during the year were research and development activities in relation to generic pharmaceuticals.

No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Year

No matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends have been paid or declared since the start of the year.

Options

No options over issued shares or interests in the company were granted during or since the end of the year and there were no options outstanding at the date of this report.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of year, for any person who is or has been an officer or auditor of the company.

DIRECTORS' REPORT

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 4.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director ______________________

Apparao Sannidhanam Veera Venkata Narasimha

Dated this 11 day of May 2018

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Natco Pharma Australia Pty Ltd

I declare that, to the best of my knowledge and belief, during 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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

RMuller

René Muller
Partner

Melbourne, 11 May 2018

NATCO PHARMA AUSTRALIA PTY LTD
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STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $	2017 $
Finance costs		-	(1,110)
Other expenses	**2**	(31,601)	(576,544)
Loss before income tax		(31,601)	(577,654)
Income tax expense		-	-
Loss for the year		(31,601)	(577,654)
Loss attributable to members of the company		(31,601)	(577,654)

These statements should be read in conjunction with the notes to the financial statements.

NATCO PHARMA AUSTRALIA PTY LTD
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STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	2018 $	2017 $
Loss for the year	(31,601)	(577,654)
Other comprehensive income	-	-
Total other comprehensive income for the year	-	-
Total comprehensive loss for the year	(31,601)	(577,654)
Total comprehensive loss attributable to members of the company	(31,601)	(577,654)

These statements should be read in conjunction with the notes to the financial statements.

NATCO PHARMA AUSTRALIA PTY LTD
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STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	Note	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**3**	27,117	3,105
Trade and other receivables	**4**	335	1,254
TOTAL CURRENT ASSETS		27,452	4,359
NON-CURRENT ASSETS			
Other assets	**5**	613	919
TOTAL NON-CURRENT ASSETS		613	919
TOTAL ASSETS		28,065	5,278
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**6**	9,335	227,437
TOTAL CURRENT LIABILITIES		9,335	227,437
NON-CURRENT LIABILITIES			
Trade and other payables	**6**	-	210,332
TOTAL NON-CURRENT LIABILITIES		-	210,332
TOTAL LIABILITIES		9,335	437,769
NET LIABILITIES		**18,730**	**(432,491)**
EQUITY			
Issued capital	**7**	853,572	370,750
Accumulated losses		(834,842)	(803,241)
TOTAL DEFICIT		**18,730**	**(432,491)**

These statements should be read in conjunction with the notes to the financial statements.

NATCO PHARMA AUSTRALIA PTY LTD
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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Issued Capital $	Accumulated losses $	Total $
Balance at 1 April 2016	115,750	(225,587)	(109,837)
Comprehensive income			
Loss for the year	-	(577,654)	(577,654)
Total comprehensive income for the year attributable to the member of the company	-	(577,654)	(577,654)
Transactions with the owner, in capacity as owner and other transfers			
Natco Pharma Limited	255,000	-	255,000
Generic Partners Holding Co Pty Ltd	(23,150)	-	(23,150)
Sanjiv Puri	23,150	-	23,150
Total transactions with the owner and other transfers	255,000	-	255,000
Balance at 31 March 2017	370,750	(803,241)	(432,491)
Balance at 1 April 2017	370,750	(803,241)	(432,491)
Comprehensive income			
Loss for the year	-	(31,601)	(31,601)
Total comprehensive income for the year attributable to the member of the company	-	(31,601)	(31,601)
Transactions with the owner, in capacity as owner and other transfers			
Natco Pharma Limited	505,972	-	505,972
Generic Partners Holding Co Pty Ltd	-	-	-
Sanjiv Puri	(23,150)	-	(23,150)
Total transactions with the owner and other transfers	482,822	-	482,822
Balance at 31 March 2018	853,572	(834,842)	18,730

These statements should be read in conjunction with the notes to the financial statements.

NATCO PHARMA AUSTRALIA PTY LTD
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Payment to suppliers	**8**	(249,711)	(354,248)
Receipts from collection of receivables		1,233	0
Net cash used in operating activities		(248,478)	(354,248)
Cash flows from financing activities			
Increase in borrowings		(84,510)	82,274
Capital contribution		357,000	255,000
Net cash provided by financing activities		272,490	337,274
Net increase / (decrease) in cash held		24,012	(16,974)
Cash and cash equivalents at beginning of financial year		3,105	20,079
Cash and cash equivalents at end of financial year		27,117	3,105

These statements should be read in conjunction with the notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Natco Pharma Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 11 May 2018 by the directors of the company.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards which was incorporated on 1 September 2014.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. **Impairment of Assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

b. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

c. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the company in those goods.

All dividends received shall be recognised as revenue when the right to receive the dividend has been established.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Investment property revenue is recognised on a straight-line basis over the period of the lease term so as to reflect a constant periodic rate of return on the net investment.

All revenue is stated net of the amount of goods and services tax.

d. **Trade and Other Receivables**

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

e. **Trade and Other Payables**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

f. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

g. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or payables in the statement of financial position.

h. **Goods and Services Tax (GST) (continued)**

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

i. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The comparative figures in this report are for the period 1 April 2016 to 31 March 2017.

j. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

k. **New and Amending Standards**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated amending standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and de-recognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Company on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

The adoption of this standard is not expected to significantly impact the financial statements of the Company.

NOTE 2: LOSS FOR THE YEAR

	2018	2017
	$	$
Other expenses		
Accountancy fees	11,170	9,200
Amortisation	306	306
Auditors' remuneration	12,750	9,646
Bank charges	318	135
Compound Development costs	0	4,574
Consulting fees	0	2,640
Filing fees	254	640
Foreign Currency Gains and Losses	303	0
Research and Development expenses	0	175,000
Regulatory One	6,500	63,970
Samples	0	36,175
TGA Fees	0	274,258
	31,601	576,544

NOTE 3: CASH AND CASH EQUIVALENTS

	2018	2017
	$	$
Cash at bank	27,117	3,105
	27,117	3,105

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2018	2017
Cash and cash equivalents	27,117	3,105
	27,117	3,105

NOTE 4: TRADE AND OTHER RECEIVABLES

	2018	2017
	$	$
CURRENT		
Other receivables	335	1,254
	335	1,254

NOTE 5: OTHER ASSETS

	2018	2017
	$	$
NON-CURRENT		
Formation costs	613	919
	613	919

NOTE 6: TRADE AND OTHER PAYABLES

	2018	2017
	$	$
CURRENT		
Trade creditors	385	214,507
Accrued expenses	8,950	12,930
	9,335	227,437
NON-CURRENT		
Unsecured loans	0	210,332
	0	210,332

The loan with a related party in prior financial year have been repaid.

NOTE 7: ISSUED CAPITAL

		2018	2017
		$	$
a.	853,572 fully paid ordinary shares	853,572	370,750

The company has authorised share capital amounting to 853,572 (2017: 370,750) ordinary shares of no par value. During the year, the parent company Natco Pharma Limited has acquired 148,972 fully paid ordinary shares of $1 AUD each from Mr. Sanjiv Puri, thus becoming 100% owner of the company with effect from 23 November 2017.

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 8: CASH FLOW INFORMATION

	2018	2017
	$	**$**
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(31,601)	(577,654)
Non-cash flows in profit:		
– Amortisation	306	306
Changes in assets and liabilities:		
– Decrease/(Increase) in receivables	919	4,229
– (Decrease)/Increase in payables	(218,102)	218,871
	(248,478)	(354,248)

NOTE 9: SUBSEQUENT EVENTS

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the company or economic entity, the results of those operations or the state of affairs of the company or economic entity in subsequent financial years.

NOTE 10: COMPANY DETAILS

The company’s parent entity is Natco Pharma Limited, a listed entity incorporated in India.

The registered office of the company is:

Blue Rock Australia Pty Ltd
Level 16, 414 La Trobe Street
MELBOURNE VIC 3000

The principal place of business is:

Natco Pharma Australia Pty Ltd
Level 1, 313 Burwood Road
HAWTHORN VIC 3122

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Natco Pharma Australia Pty Ltd, the directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 15, are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards; and
   b. give a true and fair view of the company's financial position as at 31 March 2018 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director ______________________________

Apparao Sannidhanam Veera Venkata Narasimha

Dated this 11 day of May 2018

ShineWing Australia
Accountants and Advisors
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NATCO PHARMA AUSTRALIA PTY LTD

Opinion

We have audited the financial report of Natco Pharma Australia Pty Ltd ("the Company") which comprises the statement of financial position as at 31 March 2018, the statement of comprehensive income, the statement of changes in equity and the 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 the Company 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 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards to the extent described in Note 1 to the financial report 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 the 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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the director's financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the special purpose financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The director's responsibility also includes 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 ability of the Company 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia

ShineWing Australia
Chartered Accountants

RMuller

René Muller
Partner

Melbourne, 15 May 2018