

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2016

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

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Natco Pharma Australia Pty Ltd ABN 40 601 572 301
Financial Report for the Year Ended 31 March 2016
DIRECTORS' REPORT

Your directors present their report on the company for the period ended 31 March 2016.

Directors

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

Aman Madan

Bhujanga Rao Adibhatla Kali Satya

Subba Rao Mente

Apparao Sannidhanam Veera Venkata Narasimha

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 period after providing for income tax amounted to \$112,090 (2015: loss of \$113,497).

A review of the operations of the company during the period 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 period.

Principal Activities

The principal activities of the company during the period 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 Period

No matters or circumstances have arisen since the end of the period 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 periods.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future periods 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 period.

Options

No options over issued shares or interests in the company were granted during or since the end of the period 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 period, for any person who is or has been an officer or auditor of the company.

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.

DIRECTORS' REPORT

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

16th

day of

May

2016

**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 2016 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

René Muller

René Muller
Partner

Sydney, 16 May 2016

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2016

	2016	2015
	\$	\$
Finance costs	-	(1)
Other expenses	2 <u>(112,090)</u>	<u>(113,496)</u>
Loss before income tax	(112,090)	(113,497)
Income tax expense	<u>-</u>	<u>-</u>
Loss for the year	<u>(112,090)</u>	<u>(113,497)</u>
Loss attributable to members of the company	<u>(112,090)</u>	<u>(113,497)</u>

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 2016

	2016 \$	2015 \$
Loss for the year	(112,090)	(113,497)
Other comprehensive income	<u>-</u>	<u>-</u>
Total other comprehensive income for the year	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(112,090)</u>	<u>(113,497)</u>
Total comprehensive loss attributable to members of the company	<u>(112,090)</u>	<u>(113,497)</u>

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

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016 \$	2015 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	20,079	4,913
Trade and other receivables	4	5,483	1,890
TOTAL CURRENT ASSETS		<u>25,562</u>	<u>6,803</u>
NON-CURRENT ASSETS			
Other assets	5	1,225	1,532
TOTAL NON-CURRENT ASSETS		<u>1,225</u>	<u>1,532</u>
TOTAL ASSETS		<u><u>26,787</u></u>	<u><u>8,335</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	6	8,566	37,332
TOTAL CURRENT LIABILITIES		<u>8,566</u>	<u>37,332</u>
NON-CURRENT LIABILITIES			
Trade and other payables	6	128,058	-
TOTAL NON-CURRENT LIABILITIES		<u>128,058</u>	<u>-</u>
TOTAL LIABILITIES		<u><u>136,624</u></u>	<u><u>37,332</u></u>
NET LIABILITIES		<u><u>(109,837)</u></u>	<u><u>(28,997)</u></u>
EQUITY			
Issued capital	7	115,750	84,500
Accumulated losses		<u>(225,587)</u>	<u>(113,497)</u>
TOTAL DEFICIT		<u><u>(109,837)</u></u>	<u><u>(28,997)</u></u>

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

NATCO PHARMA AUSTRALIA PTY LTD
ABN 40 601 572 301

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

	Issued Capital \$	Accumulated losses \$	Total \$
Balance at 1 April 2014	-	-	-
Comprehensive income			
Loss for the year	-	(113,497)	(113,497)
Total comprehensive income for the year attributable to the member of the company	-	(113,497)	(113,497)
Transactions with the owner, in capacity as owner and other transfers			
Natco Pharma Limited	67,600	-	67,600
Generic Partners Holding Co Pty Ltd	16,900	-	16,900
Total transactions with the owner and other transfers	84,500	-	84,500
Balance at 31 March 2015	84,500	(113,497)	(28,997)
Balance at 1 April 2015	84,500	(113,497)	(28,997)
Comprehensive income			
Loss for the year	-	(112,090)	(112,090)
Total comprehensive income for the year attributable to the member of the company	-	(112,090)	(112,090)
Transactions with the owner, in capacity as owner and other transfers			
Natco Pharma Limited	25,000	-	25,000
Generic Partners Holding Co Pty Ltd	6,250	-	6,250
Total transactions with the owner and other transfers	31,250	-	31,250
Balance at 31 March 2016	115,750	(225,587)	(109,837)

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 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Payment to suppliers	8	<u>(114,292)</u>	<u>(97,511)</u>
Net cash used in operating activities		<u>(114,292)</u>	<u>(97,511)</u>
Cash flows from financing activities			
Increase in borrowings		98,208	29,850
Capital contribution		<u>31,250</u>	<u>72,574</u>
Net cash provided by financing activities		<u>129,458</u>	<u>102,424</u>
Net increase in cash held		15,166	4,913
Cash and cash equivalents at beginning of financial year		<u>4,913</u>	<u>-</u>
Cash and cash equivalents at end of financial year		<u><u>20,079</u></u>	<u><u>4,913</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 16 May 2016 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. Going Concern

As at 31 March 2016, the balance sheet disclosed a net asset deficiency of \$109,837 (2015: \$28,997). The company reported an after tax loss of \$112,090 (2015: \$113,497) for the year ended 31 March 2016 and incurred a net operating cash outflow of \$114,292 (2015: \$97,511).

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business. The Directors have considered and noted that the company has received letters of support from its shareholder, Natco Pharma Limited, that they will provide financial support for the continuing operations of the company as to enable it to meet its liabilities as they fall due and carry on its business over the next 12 months from the date of this report. The Directors have assessed Natco Pharma Limited's ability to provide this support. This assessment indicated that the shareholder has sufficient resources available to support Natco Pharma Australia Pty Ltd.

b. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

c. 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.

d. 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.

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.

e. 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.

f. 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.

g. 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.

h. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 September 2014 to 31 March 2015.

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 2: LOSS FOR THE YEAR

	2016	2015
	\$	\$
Other expenses		
Accountancy fees	11,265	2,770
Amortisation	306	-
Auditors' remuneration	4,590	3,000
Bank charges	152	86
Compound Development costs	8,031	-
Filing fees	558	-
Out License Fees	-	720
Regulatory One	71,370	22,320
TGA Fees	15,818	84,600
	112,090	113,496

NOTE 3: CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank	20,079	4,913
	20,079	4,913

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:

Cash and cash equivalents	20,079	4,913
	20,079	4,913

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

NOTE 4: TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
CURRENT		
Other receivables	5,483	1,890
	5,483	1,890
	5,483	1,890

NOTE 5: OTHER ASSETS

	2016	2015
	\$	\$
NON-CURRENT		
Formation costs	1,225	1,532
	1,225	1,532
	1,225	1,532

NOTE 6: TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
CURRENT		
Trade creditors	66	1,982
Accrued expenses	8,500	5,500
Unsecured loans	-	29,850
	8,566	37,332
	8,566	37,332
NON-CURRENT		
Unsecured loans	128,058	-
	128,058	-
	128,058	-

The loan is with a related party, unsecured and with no interest charged.

NOTE 7: ISSUED CAPITAL

	2016	2015
	\$	\$
a. 115,750 fully paid ordinary shares	115,750	84,500
	115,750	84,500

The company has authorised share capital amounting to 100 ordinary shares of no par value.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

NOTE 8: CASH FLOW INFORMATION

	2016	2015
	\$	\$
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(112,090)	(113,497)
Non-cash flows in profit:		
– Amortisation	306	-
– Debt forgiveness	-	11,900
– Bank charges	-	26
Changes in assets and liabilities:		
– Increase in receivables	(3,593)	(1,890)
– Increase in other assets	-	(1,532)
– Increase in payables	1,085	7,482
	(114,292)	(97,511)
	(114,292)	(97,511)

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 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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 14, 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 2016 and of its performance for the period 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

16th

day of

May

2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NATCO PHARMA AUSTRALIA PTY LTD

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report, of Natco Pharma Australia Pty Ltd (the company), which comprises the statement of financial position as at 31 March 2016 the statement of profit or loss and statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report 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 directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have 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 about 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 judgement, 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 of the financial report that gives a true and fair view 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 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.

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*, which has been given to the directors of Natco Pharma Australia Pty Ltd, would be in the same terms if given to the directors as at the time of the auditor's report.

Opinion

In our opinion the financial report of Natco Pharma Australia Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 March 2016 and of its performance for the period ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 of the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

ShineWing Australia

ShineWing Australia
Chartered Accountants

Muller

René Muller
Partner

Sydney, 16 May 2016