Generic Health Pty Ltd

ACN: 110 617 859

Annual report for the

financial year ended 31 March 2023

Deloitte Touche Tohmatsu
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The Board of Directors
Generic Health Pty Ltd
Suite 2, Level 2, 19-23 Prospect Street
Box Hill, VIC 3128

12 May 2023

Dear Board Members,

Generic Health Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Generic Health Pty Ltd.

As lead audit partner for the audit of the financial statements of Generic Health Pty Ltd for the financial year ended 31 March 2022, I declare to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants

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Independent Auditor's Report to the members of Generic Health Pty Ltd

Opinion

We have audited the financial report of Generic Health Pty Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2023 and of it's financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards or Australian Accounting Standards – Simplified Disclosures 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 Group 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 (including Independence Standards) (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.

Other Information

The directors are responsible for the other information. The other information comprises directors' report for the year ended 31 March 2023, but does not include the financial report and our auditor's report thereon.
Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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Deloitte.

In preparing the financial report, the directors are responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- 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.

- 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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 Group'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 Group to cease to continue as a going concern.

- 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.

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants
Melbourne, 12 May 2023

Directors' declaration

The directors declare that:

(a) 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; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 31 March 2023 and performance of the company for the year ended on that date; and

   (ii) complying with Accounting Standards – Reduced Disclosure Requirements and *Corporations Act 2001*.

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

Director
Melbourne,

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Revenue	5	95,652,297	74,030,300
Cost of sales		(60,478,600)	(45,323,155)
Gross profit		35,173,697	28,707,145
Other income	5	16,555,703	7,454
Administration expense		(1,683,609)	(5,034,345)
Sales and marketing expense		(659,089)	(596,417)
Employee expense		(7,196,547)	(6,754,140)
Regulatory expense		(1,919,775)	(1,150,341)
Warehousing expense		(1,937,613)	(1,657,622)
Finance expense		(403,850)	(108,314)
Depreciation & amortisation		(3,754,291)	(1,004,474)
Profit before tax		34,174,626	12,408,946
Income tax benefit	22	(10,577,025)	(2,618,270)
Profit for the year	4	23,597,601	9,790,676
Other comprehensive income		-	-
Total comprehensive income for the year		23,597,601	9,790,676

The accompanying notes form part of these financial statements.

Consolidated statement of financial position as at 31 March 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Current assets			
Cash and cash equivalents	21(a)	16,990,612	9,565,982
Trade and other receivables	6	13,715,581	16,277,823
Inventories	7	26,978,589	24,243,314
Other assets	8	9,762,486	4,195,726
Total current assets		67,447,268	54,282,845
Non-current assets			
Plant and equipment	10	58,385	70,725
Intangible assets	11	25,079,193	27,770,440
Right of use asset	12	543,706	694,339
Goodwill	9	10,269,000	10,269,000
Deferred tax assets	24	1,898,060	2,353,013
Total non-current assets		37,848,344	41,157,517
Total assets		105,295,612	95,440,362
Current liabilities			
Trade and other payables	13	27,226,826	18,124,870
Other Financial Liability	15	-	1,800,000
Contract Liability	15	3,500,000	-
Lease liability	16	207,416	195,874
Other loans and advances		-	177,500
Provisions	17	1,132,060	1,058,036
Total current liabilities		32,066,302	21,356,280
Non-current liabilities			
Lease liability	16	512,220	706,007
Contract Liability	15	-	3,500,000
Borrowings	15	5,000,000	25,000,000
Other Financial Liability	15	1,200,000	1,200,000
Provisions	17	92,001	86,918
Deferred tax Liability	24	6,591,426	7,355,095
Total non-current liabilities		13,395,647	37,848,020
Total liabilities		45,461,949	59,204,300
Net assets		59,833,663	36,236,062
Equity			
Issued Capital	18	33,883,471	33,883,471
Reserve and Surplus		25,950,192	2,352,591
Total Equity		59,833,663	36,236,062

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2023

	Issued capital	Accumulated losses	Total
	$	$	$
Balance at 1 April 2021	33,883,471	(7,438,085)	26,445,386
Profit for the year	-	9,790,676	9,790,676
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	9,790,676	9,790,676
Balance at 31 March 2022	33,883,471	2,352,591	36,236,062
Balance at 1 April 2022	33,883,471	2,352,591	36,236,062
Profit for the year	-	23,597,601	23,597,601
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	23,597,601	23,597,601
Balance at 31 March 2023	33,883,471	25,950,192	59,833,663

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2023

		Consolidated	
		2023	2022
		$	$
Cash flows from operating activities			
Receipts from customers		98,468,188	68,194,624
Settlement Income / Interest received		16,125,883	7,454
Interest paid		-	(108,314)
Payment to employees and suppliers		(76,679,104)	(65,203,936)
Income taxes paid		(2,204,603)	(87,907)
Net cash provided by operating activities	21(b)	35,710,364	2,801,921
Cash flows from investing activities			
Purchase of plant and equipment		(33,226)	-
Purchase of intangible assets (product development costs)		(866,414)	(816,112)
Net cash used in investing activities		(899,640)	(816,112)
Cash flows from financing activities			
Repayments of deferred consideration		(1,800,000)	-
Deposits		(5,000,000)	-
Repayments of lease liabilities		(182,245)	(182,344)
Interest Payment		(403,849)	-
Proceeds from borrowings		(20,000,000)	25,000,000
Cash Held in Escrow		-	3,500,000
Acquisition of Southern Cross Pharma		-	(28,229,719)
Net cash used in financing activities		(27,386,094)	87,937
Net increase in cash held		7,424,630	2,073,746
Cash at the beginning of the financial year		9,565,982	7,492,236
Cash at the end of the financial year	21(a)	16,990,612	9,565,982

The accompanying notes form part of these financial statements.

1. General information

Generic Health Pty Ltd is a proprietary company limited by shares, incorporated and operating in Australia.

Nanomi B.V. (incorporated and domiciled in the Netherlands) is the company's parent and Lupin Limited (incorporated and domiciled in India) is the company's ultimate parent.

Generic Health Pty Ltd.'s registered office and principal place of business are as follows: Suite 2, Level 2, 19-23 Prospect Street, Box Hill, VIC

2. Adoption of new and revised Accounting Standards

2.1 Standards and Interpretations affecting amounts reported in the current period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2021.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

For the year ended 31 March 2023, the Company has applied AASB 1053 Application of Tiers of Australian Accounting Standards to prepare general purpose financial statements under the simplified disclosures framework. This change in accounting policy was adopted as at 1 July 2021 and has been applied retrospectively. There has been no change in the recognition and measurement of balances previously reported as the recognition and measurement requirements of all Australian Accounting Standards have been consistently applied.

3. Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Simplified Disclosures and comply with other requirements of the law.
The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.
The financial statements were authorized for issue by the directors on 12 May 2023.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.
Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.
Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies the directors are required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Areas where judgment has been used include the bad debt provision, the inventory provision, the useful lives of plant and equipment the useful lives of intangible assets and the carrying value of product development costs, not yet available for use. See the relevant accounting policies for additional detail.

3. Significant accounting policies (cont'd)
Critical accounting judgments and key sources of estimation uncertainty (continued)
Long service leave
Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date which includes assessing probabilities of employee retention and future wage and on-cost increases.
Plant and equipment
Useful lives and residual value of plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.
Provision for obsolete stock
Management's judgement is applied in determining the provision for inventory obsolescence. If the estimated selling price of inventory is lower than the cost to sell, the difference is recognised in the provision for obsolescence.
Credit loss on trade receivables
The Group has elected to use the simplified approach, which requires the recognition of lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on credit risks attributes and debtor's days in estimating expected credit losses.
Recognition of deferred tax asset in respect of losses
The Group applies judgement in estimating the recognition of the recorded deferred tax asset with respect to previously unrecognised carry forward losses. The Group applies judgement in relation to the estimated future taxable profitability from which to realise the deferred tax asset.
Capitalised product development costs
At year end, the entity has recognized on its balance sheet various expenditures that relate to the development of, and registration with the relevant authorities of, the products sold in the course of carrying on its business. These costs relate to licensing fees, bio equivalency studies, regulatory and other charges. The directors have applied a degree of judgement in the classification of these expenses to the extent that they are allowable under the AASB 138. For those capitalized at year end, management have made the determination that these expenses meet the definition of an intangible asset, are probable that the expected future economic benefits attributable to the asset will flow to the entity and that the cost of the asset can be measured reliably. Refer Note (k) for further information.

(a) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. Significant accounting policies (cont'd)

(a) Principles of consolidation (cont'd)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the entity's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation

When the entity loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the entity had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs).

(b) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date

3. Significant accounting policies (cont'd)

Goodwill
Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) Borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(d) Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. Financial assets are classified as loans and receivables and financial liabilities are classified as other financial liabilities.

Effective Interest Method
The effective interest method is a method of calculating the amortised cost and of allocating interest income / (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts / payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables
Financial assets are initially measured at fair value net of transactions costs. Financial assets consisting trade receivables, loans and other receivables that have fixed or determinable payments are measured subsequently at amortised cost at the effective interest method, less any expected credit losses given that:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

De-recognition of financial assets
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. Significant accounting policies (cont'd)

(d) Financial instruments (cont'd)

Other Financial liabilities

Other Financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(f) Comparative amounts

Where required by Accounting Standards, comparative amounts have been adjusted to conform to changes in presentation in the current financial year.

(g) Employee benefits

Short term provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

(h) Foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
   or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. Significant accounting policies (cont'd)

(j) Impairment of assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase).

(k) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase

(l) Income tax

Tax consolidation

Generic Health Pty Ltd and its resident wholly owned subsidiaries have notified the Australian Tax Office of their adoption of the tax consolidation regime. Tax expenses/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within the group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. Current Tax liabilities and assets and deferred tax assets arising from unused tax losses of the subsidiaries are recognised in the head entity, Generic Health Pty Ltd.

Entities within the tax consolidated group have not entered into a tax funding agreement and a tax-sharing agreement with the head entity. Any amount owing from head entity to ATO is satisfied with a loan from Generic Health Pty Ltd. Such amounts are reflected in amounts receivable or payable to the head entity. Southern Cross Pharma is part of the Tax consolidated group.

3. Significant accounting policies (cont'd)

(l) Income tax (cont'd)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(m) Intangible assets

Intangible assets acquired separately

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

3. Significant accounting policies (cont'd)

(m) Intangible assets (cont'd)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.
Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.
The following useful lives are used in the calculation of amortisation:
Capitalised development *5 years*

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately

De-recognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

(n) Leases
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease Liability
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the lessee under residual value guarantees
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

3. Significant accounting policies (cont'd)

(n) Leases (cont'd)

Right of use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in statement of financial position.

(o) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(p) Plant and equipment

Plant and equipment are carried at cost less, where applicable, any accumulated depreciation or impairment. Plant and equipment are depreciated over the period of their estimated useful life on a straight-line basis. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The useful lives adopted for Office Furniture and Equipment is up to 5 years.

(q) Provisions

Provisions are recognised when the company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(r) Revenue recognition

Sale of goods

Sale of goods is recognised at a point in time when the performance obligations of the sale has been fulfilled and control of the goods has transferred to the customers, which continues to occur at the point of sale when goods were collected or delivered to the premise. In recognising revenue from the sale of goods, the Group considers its historical experience with sales return to determine if it is highly probable that a significant reversal of revenue will arise in the future.

Interest income

Interest income from a financial asset is recognised over time when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Licence Income

Licence income received from customers in consideration to grant the customer any rights to market and distribute products is recognised either over time or at a point in time, dependent on whether or not the performance obligations are distinct and whether or not this constitutes a right to use or right to access the marketing and distribution right. Where the Group continues to retain the responsibility for the performance obligations associated with the validity of the licence and that the customer simultaneously receives and consumes the benefits from the Group, this is recognised over time. Where the Group provides a right to use the right and is determined to be separable and distinct from other performance obligations within the contract, this is recognised at a point in time. Amounts collected for rights and access not yet provided are recorded as deferred revenue in the balance sheet.

	Consolidated	
	2023	2022
	$	$
4. Profit for the year from continuing operations		
Legal expenses	378,843	3,148,493
Depreciation of plant and equipment	63,237	64,377
Amortisation of right of use asset	166,623	166,623
Amortisation of intangible assets	2,769,410	773,474
Movement in inventory provision	(126,693)	104,078
Movement in provision for product discounts	3,122,189	2,372,344
Movement in doubtful debtor provision	(1,330)	(15,854)
Management fees	183,293	662,048
5. Revenue		
Sales revenue	95,652,297	74,010,400
Royalties, license fees & commissions	-	-
	95,652,297	74,010,400
Other income*	16,555,703	7,454
6. Trade and other receivables		
Trade receivables	17,525,658	17,045,310
Provision for doubtful debts	(61,431)	(62,761)
Provision for product discounts	(3,970,047)	(847,858)
Provision for grocery terms	(20,510)	(46,340)
	13,473,670	16,088,351
Related party receivables:		
Lupin Australia Pty Ltd	192,200	178,725
Nanomi B.V.	-	-
Lupin Limited	49,711	10,747
	13,715,581	16,277,823

	Consolidated 2023 $	Consolidated 2022 $
7. Inventories		
Finished goods at cost	24,144,463	23,639,777
Provision for slow moving inventory and product expiry	(1,099,882)	(973,189)
	23,044,581	22,666,588
Inventory in transit	3,934,008	1,576,726
	26,978,589	24,243,314
8. Other assets		
Prepaid expenses	1,262,486	695,726
Restricted Funds	3,500,000	3,500,000
Investments	5,000,000	-
	9,762,486	4,195,726
9. Goodwill on consolidation		
Goodwill arising on purchase of controlled entities	12,679,266	12,679,266
Less: Provision for impairment	(2,410,266)	(2,410,266)
	10,269,000	10,269,000
10. Office furniture and equipment		
Office furniture and equipment	358,762	307,865
Accumulated depreciation	(300,377)	(237,140)
Total office furniture and equipment – written down value	58,385	70,725

	Total Office Furniture and equipment $
Cost	
Balance at 1 April 2022	307,865
Additions	50,897
Disposals	
Balance at 31 March 2023	358,762
Accumulated depreciation	
Balance at 1 April 2022	237,140
Depreciation	63,237
Disposals	-
Balance at 31 March 2023	300,377
Carrying amount as at 31 March 2023	58,385

The useful life of office furniture and equipment is 5-15 years.

	Consolidated	
	2023	2022
	$	$
11. Intangible assets		
Capitalised product development costs	36,464,037	13,993,502
Acquired on acquisition of subsidiary	-	23,548,449
Accumulated amortisation and impairment	(14,110,133)	(11,395,301)
	22,353,904	26,146,650
Capitalised product development costs – not yet available for sale	1,182,916	181,264
Capitalised product development costs acquired through acquisition of subsidiary – not yet available for sale	1,542,373	1,442,526
	25,079,193	27,770,440

	Capitalised product development costs	Capitalised product developmen t costs – not yet available for use	Customer relationship s	Supplier Contracts	Acquired products yet be registered	Total
	$	$	$	$	$	$
Cost						
Balance at 1 April 2022	13,369,995	854,090	15,512,000	7,915,396	1,519,527	39,171,008
Disposals at cost	-	(252,094)	-	(474,341)	-	(726,435)
Additions	140,987	580,920	-	-	22,846	744,753
Balance at 31 March 2023	13,510,982	1,182,916	15,512,000	7,441,055	1,542,373	39,189,326
Accumulated depreciation						
Balance at 1 April 2022	11,042,285	-	233,742	119,273	-	11,395,301
Disposals	-	-	-	(54,582)	-	(54,582)
Depreciation expense	426,674	-	1,551,200	791,540	-	2,769,414
Balance at 31 March 2023	11,468,959	-	1,784,942	856,231	-	14,110,133
Carrying amount as at 31 March 2023	2,042,024	1,182,916	13,727,058	6,584,824	1,542,373	25,079,193

	Consolidated 2023 $	Consolidated 2022 $
12. Right of use asset		
Gross Block	1,210,198	1,194,208
Less: Accumulated amortisation	(666,492)	(499,869)
	543,706	694,339
13. Trade and other payables		
Trade payables	6,353,763	3,997,042
Sundry creditors and accruals	13,562,215	8,846,650
Employee bonus	314,465	384,960
Other	21,574	21,574
Related party payables:		
Lupin Limited	6,895,482	4,684,537
Lupin Management Inc	69,841	187,591
Lupin Atlantis Holdings SA	7,816	-
Lupin Australia Pty Ltd	1,670	2,516
	27,226,826	18,124,870

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

14. Related party transactions

14.1 Trading transactions

During the year, the Company entered into the following trading transactions with related parties:

- Stock purchases during the financial year from Lupin Limited amounted to $17,817,265 (FY22: $13,521,806)
- Management fee paid amounted to $183,293 (FY22: $662,049).

15. Borrowings

		2023	2022
Current			
Escrow contract liability	(i)	3,500,000	-
Deferred Consideration		-	1,800,000
		3,500,000	1,800,000
Non- Current			
Bank loans		5,000,000	25,000,000
Escrow contract liability		-	3,500,000
Deferred Consideration		1,200,000	1,200,000
		6,200,000	29,700,000

(i) relates to funds held in escrow as part of the acquisition during the year payable to previous shareholder(s) paid to agent and held in Escrow.

	Consolidated	
	2023	2022
	$	$
16. Lease Liability		
Current		
Lease Liability	207,416	195,874
Non- Current		
Lease Liability	512,220	706,007
Amounts recognised in profit and loss		
Interest expense in lease liability	24,116	30,027
Depreciation expense on right-of-use-assets	166,623	166,623
17. Provisions		
Current		
Employee benefit	1,132,060	1,058,036
Non-current		
Employee benefits	92,001	86,918
18. Issued capital		
207,100,371 fully paid ordinary shares (2021: 207,100,371)	33,883,471	33,883,471

Fully paid ordinary shares carry one vote per share and carry the right to dividends.
Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

19. 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, the results of those operations or the state of affairs of the entity in subsequent financial years.

20. Controlled entities

	Country of Incorporation	Percentage owned	
		2023	2022
Subsidiaries of Generic Health Pty Ltd:			
Bellwether Pharma Pty Ltd (Applied for Deregistration in April 2023)	Australia	0%	100%
Southern Cross Pharma Pty Ltd	Australia	100%	100%

	Consolidated	
	2023	2022
	$	$

21. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Consolidated	
	2023	2022
	$	$
Cash on hand	400	400
Cash at bank	16,990,212	9,565,582
Total cash and cash equivalents	16,990,612	9,565,982

b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities

Profit from ordinary activities after income tax	23,597,601	9,790,676
Add/(less) non-cash items:		
Amortisation expense	3,524,431	829,648
Depreciation expense	229,860	166,623
Doubtful debt expense	(1,330)	(21,888)
Finance costs recognised in profit or loss	403,849	249,535
Slow moving inventory expense	126,693	141,244
Net cash provided by operating activities before changes in assets and liabilities	27,881,104	11,155,838
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	2,563,572	(5,835,676)
Inventories	(2,861,967)	(245,130)
Other assets	(566,760)	(3,280,583)
Increase/(decrease) in liabilities:		
Trade and other creditors	420,387	(2,573,584)
Provisions	8,274,028	81,056
Other financial liabilities	-	3,500,000
Net cash (used in)/provided by operating activities	35,710,364	2,801,921

	Consolidated	
	2023	2022
	$	$
22. Income tax benefit recognised in profit and loss		
Current and deferred tax		
In respect of the current year	10,577,025	3,965,320
In respect of prior years	-	(1,347,050)
	10,577,025	(2,618,270)
23. Income tax relating to continuing operations		
Profit before tax from continuing operations	34,174,626	12,408,946
Prima facie income tax expense (at 30%)	10,252,388	3,722,684
Effect of unused tax losses and tax offsets not previously recognised as deferred tax assets / income tax benefit	-	(1,173,412)
Recognition of previously unrecognised tax losses	-	68,998
Impact of non deductible expenses	324,637	-
Income tax benefit recognised in profit or loss (from continuing operations)	10,577,025	2,618,270

Imputation Credits (Franking Credits)	Generic Health Pty Ltd	
	31/03/2023	31/03/2022
Franking Account balance as at 31 March		
Imputation Credits that will arise from the payment of current tax liability	4,027,262	1,585,252
Imputation credits that will arise from the receipt of dividend recognised as receivable at reporting date	-	-
Imputation Debits that will arise from the payments of dividends recognised as liability at the reporting date	-	-
Adjusted Franking Account balance	**5,612,514**	**1,585,252**

	Consolidated	
	2023	2022
	$	$

24. Deferred tax balances

	2023 $	2022 $
Deferred tax assets	1,898,060	2,353,013
Deferred Tax Liability on Acquisition of Southern Cross Pharma	(6,591,426)	(7,355,095)
	(4,693,366)	(5,002,082)

2023	Opening balance	Recognised in profit and loss	Closing balance
Temporary differences			
Inventory provision	291,957	8,008	299,965
Claims provision	287,087	380,607	667,694
Employee related provisions	368,998	101,642	470,640
Foreign exchange	36,333	(35,767)	566
Audit fees provision	28,913	8,587	37,500
Leases	77,354	(10,927)	66,427
Accrued expenses	425,951	(99,175)	326,776
Prepaid expenses	(1,014)	1,014	-
Borrowing costs	35,993	(7,501)	28,492
Tax losses	801,441	(801,441)	-
	2,353,013	(454,953)	1,898,060

2022	Opening balance	Recognised in profit and loss	Closing balance
Temporary differences			
Inventory provision	249,583	42,373	291,957
Claims provision	344,971	(57,884)	287,087
Employee related provisions	426,649	(57,651)	368,998
Foreign exchange	6,557	29,776	36,333
Audit fees provision	16,680	12,233	28,913
Leases	81,717	(4,362)	77,354
Accrued expenses	-	425,950	425,950
Prepaid expenses	-	(1,014)	(1,014)
Borrowing costs	-	35,993	35,993
Tax losses	1,505,913	(704,472)	801,441
	2,632,070	(279,057)	2,353,013

	Consolidated	
	2023	2022
	$	$

25. Unrecognised deferred tax assets

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

- tax losses (revenue in nature)		-

26. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements except as set out below. Refer to note 3 for a summary of the significant accounting policies relating to the Group.

Financial position	**2023**	**2022**
	$	**$**
Assets		
Current assets	48,301,701	44,811,866
Non-current assets	36,485,617	37,824,323
Total assets	84,787,318	82,636,189
Liabilities		
Current liabilities	23,400,343	14,827,960
Non-current liabilities	6,934,931	32,292,925
Total liabilities	30,335,274	47,120,885
Equity		
Issued capital	33,833,471	33,883,471
Retained earnings	20,568,573	1,631,832
Total equity	54,402,044	35,515,303
Financial performance		
Profit for the year	18,908,492	9,069,917
Other comprehensive income	-	-
Total comprehensive income	18,908,492	9,069,917

27. Financial Instruments

Categories of financial instruments

The Group holds the following financial instruments:

Financial assets – amortised cost		
Cash and bank balances	16,990,612	9,565,982
Trade and other receivables	13,715,581	16,277,823
Deposits > 90 days	5,000,000	-
Prepayments	4,762,486	4,195,726
	40,468,679	30,039,531

	Consolidated	
	2023	2022
	$	$
Financial liabilities – amortised cost		
Trade and other payables	27,226,825	18,124,870
Borrowings with external parties	5,000,000	25,000,000
Deferred consideration	1,200,000	3,000,000
Escrow contract liability	3,500,000	3,500,000
	36,926,825	49,624,870

28. Contingent liabilities

No contingent liabilities exist as at the date of this report.

29. Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

Short-term benefits	1,049,771	1,024,814
Other long-term benefits	47,461	48,865
	1,097,232	1,073,679

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 12 May 2023.