# Generic Health Pty Ltd and controlled entities

## ACN 110 617 859

## Annual report for the financial year ended 31 March 2017

# Special purpose financial statements for the year ended 31 March 2017

**Deloitte.**

Deloitte Touche Tohmatsu
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5 May 2017

The Board of Directors
Generic Health Pty Ltd
Suite 1, 1102 Toorak Road
CAMBERWELL VIC 3124

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 2017, 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
DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

**Deloitte.**

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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, and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 March 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 as set out on pages 7 to 29.

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 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in note 3 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* (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 directors of the Group, would be in the same terms if given to directors as at the time of this auditor's report.

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

*Emphasis of Matter – Basis of Accounting*

We draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling directors financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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*Other information*

Those Charged with Governance are responsible for the other information. The other information comprises the Directors' report for the year ended 31 March 2017, 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 Directors for the Financial Report*

Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 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. Directors' responsibility also includes such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, 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 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 scepticism 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 directors.

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*Auditor's Responsibilities for the Audit of the Financial Report (continued)*

- Conclude on the appropriateness of 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 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

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 5 May 2017

# Directors' declaration

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company and the consolidated entity 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 compliance with accounting standards to the extent described in Note 3 and giving a true and fair view of the financial position and performance of the company and the consolidated entity.

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

On behalf of the Directors

Ashutosh Damle
Director
Melbourne, 5 May 2017

# Statement of profit or loss and other comprehensive income for the year ended 31 March 2017

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Note | 2017<br>$ | 2016<br>$ | 2017<br>$ | 2016<br>$ |
| Revenue | 5 | 34,504,011 | 29,321,420 | 34,504,011 | 29,321,420 |
| Cost of sales | | (23,092,599) | (20,275,220) | (23,092,599) | (20,275,220) |
| **Gross profit** | | 11,411,412 | 9,046,200 | 11,411,412 | 9,046,200 |
| Other income | | 122 | 280 | 122 | 280 |
| Administration expense | | (1,395,217) | (1,645,215) | (1,395,217) | (1,645,215) |
| Sales and marketing expense | | (1,004,489) | (832,668) | (1,004,489) | (832,668) |
| Employee expense | | (5,450,559) | (5,517,529) | (5,450,559) | (5,517,529) |
| Regulatory expense | | (658,355) | (485,541) | (658,355) | (485,541) |
| Warehousing expense | | (1,058,016) | (864,810) | (1,058,016) | (864,810) |
| Finance expense | | (308,876) | (267,546) | (308,876) | (267,546) |
| Depreciation & amortisation | | (856,090) | (998,710) | (856,090) | (998,710) |
| Impairment expense | | (80,016) | (93,316) | (80,016) | (93,316) |
| **Profit/(Loss) before tax** | | 599,916 | (1,658,855) | 599,916 | (1,658,855) |
| Income tax expense | | - | - | - | - |
| **Profit/(Loss) for the year** | 4 | 599,916 | (1,658,855) | 599,916 | (1,658,855) |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income/(loss) for the year** | | 599,916 | (1,658,855) | 599,916 | (1,658,855) |

The accompanying notes form part of these financial statements.

# Statement of financial position
# at 31 March 2017

| | Note | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | 20(a) | 677,291 | 848,723 | 677,291 | 848,723 |
| Trade and other receivables | 6 | 4,513,819 | 5,154,572 | 4,513,819 | 5,154,572 |
| Inventories | 7 | 10,662,612 | 9,431,356 | 10,662,612 | 9,431,356 |
| Other assets | 8 | 159,555 | 176,076 | 159,555 | 176,076 |
| **Total current assets** | | **16,013,277** | **15,610,727** | **16,013,277** | **15,610,727** |
| **Non-current assets** | | | | | |
| Plant and equipment | 11 | 52,660 | 61,794 | 52,660 | 61,794 |
| Intangible assets | 12 | 1,055,207 | 1,927,978 | 1,055,207 | 1,927,978 |
| **Total non-current assets** | | **1,107,867** | **1,989,772** | **1,107,867** | **1,989,772** |
| **Total assets** | | **17,121,144** | **17,600,499** | **17,121,144** | **17,600,499** |
| **Current liabilities** | | | | | |
| Trade and other payables | 13 | 6,628,288 | 8,067,452 | 6,628,288 | 8,067,452 |
| Borrowings | 14 | 8,222,599 | 8,022,761 | 8,222,599 | 8,022,761 |
| Other loans and advances | | 177,500 | 177,500 | - | - |
| Provisions | 15 | 449,116 | 345,061 | 449,116 | 345,061 |
| **Total current liabilities** | | **15,477,503** | **16,612,774** | **15,300,003** | **16,435,274** |
| **Non-current liabilities** | | | | | |
| Provisions | 15 | 236,794 | 180,794 | 236,794 | 180,794 |
| **Total non-current liabilities** | | **236,794** | **180,794** | **236,794** | **180,794** |
| **Total liabilities** | | **15,714,297** | **16,793,568** | **15,536,797** | **16,616,068** |
| **Net assets** | | **1,406,847** | **806,931** | **1,584,347** | **984,431** |
| **Equity** | | | | | |
| Issued capital | 16 | 33,883,471 | 33,883,471 | 33,883,471 | 33,883,471 |
| Accumulated losses | | (32,476,624) | (33,076,540) | (32,299,124) | (32,899,040) |
| **Total equity** | | **1,406,847** | **806,931** | **1,584,347** | **984,431** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity for the year ended 31 March 2017

## Consolidated entity

| | Issued capital $ | Accumulated losses $ | Total $ |
|---|---|---|---|
| Balance at 1 April 2015 | 33,883,471 | (31,417,685) | 2,465,786 |
| Loss for the year | - | (1,658,855) | (1,658,855) |
| Other comprehensive income | - | - | - |
| **Total comprehensive loss for the year** | - | (1,658,855) | (1,658,855) |
| **Balance at 31 March 2016** | 33,883,471 | (33,076,540) | 806,931 |
| Profit for the year | - | 599,916 | 599,916 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | - | 599,916 | 599,916 |
| **Balance at 31 March 2017** | 33,883,471 | (32,476,624) | 1,406,847 |

## Parent entity

| | Issued capital $ | Accumulated losses $ | Total $ |
|---|---|---|---|
| Balance at 1 April 2015 | 33,883,471 | (31,240,185) | 2,643,286 |
| Loss for the year | - | (1,658,855) | (1,658,855) |
| Other comprehensive income | - | - | - |
| **Total comprehensive loss for the year** | - | (1,658,855) | (1,658,855) |
| **Balance at 31 March 2016** | 33,883,471 | (32,899,040) | 984,431 |
| Profit for the year | - | 599,916 | 599,916 |
| Other comprehensive income | - | - | - |
| **Total comprehensive income for the year** | - | 599,916 | 599,916 |
| **Balance at 31 March 2017** | 33,883,471 | (32,299,124) | 1,584,347 |

The accompanying notes form part of these financial statements.

# Statement of cash flows
# for the year ended 31 March 2017

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $ | $ | $ | $ |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers | | 38,642,740 | 30,800,662 | 38,642,740 | 30,800,662 |
| Interest received | | 122 | 280 | 122 | 280 |
| Interest paid | | (308,876) | (267,546) | (308,876) | (267,546) |
| Payment to employees and suppliers | | (38,651,055) | (30,360,314) | (38,651,055) | (30,360,314) |
| Net cash (used in)/provided by operating activities | 20(b) | (317,069) | 173,082 | (317,069) | 173,082 |
| **Cash flows from investing activities** | | | | | |
| Purchase of plant and equipment | | (16,774) | (36,109) | (16,774) | (36,109) |
| Purchase of intangible assets (product development costs) | | (37,427) | (194,204) | (37,427) | (194,204) |
| Net cash used in investing activities | | (54,201) | (230,313) | (54,201) | (230,313) |
| **Cash flows from financing activities** | | | | | |
| Net proceeds from borrowings | | 199,838 | 1,022,761 | 199,838 | 1,022,761 |
| Net cash provided by financing activities | | 199,838 | 1,022,761 | 199,838 | 1,022,761 |
| **Net (decrease)/increase in cash held** | | (171,432) | 965,530 | (171,432) | 965,530 |
| **Cash at the beginning of the financial year** | | 848,723 | (116,807) | 848,723 | (116,807) |
| Cash at the end of the financial year | 20(a) | 677,291 | 848,723 | 677,291 | 848,723 |

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.

Lupin Holdings 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 1, 1100-1102 Toorak Road, Camberwell, VIC

## 2. Adoption of new and revised Accounting Standards

### 2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Group has applied a number of amendments to AASBs and new Interpretation's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016 and therefore relevant for the current year end.

**Standards affecting presentation and disclosure**

| | |
|---|---|
| AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation' | Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.<br>The amendments to AASB 116 explain that a depreciation method applied to property, plant and equipment that is based on revenue that is generated by an activity that includes the use of the asset is not appropriate.<br>The amendments to AASB 138 introduce a rebuttable presumption that an amortisation method for an intangible asset that is based on the revenue generated by the activity that includes the use of the intangible asset is inappropriate, and provides guidance when the rebuttable presumption can be overcome. |
| AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle' | Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle.<br>Key amendments include:<br>• *AASB 7 Financial Instruments: Disclosures* –provides additional application guidance on the concept of continuing involvement for the purposes of disclosures required by the standard, and removes the requirement to provide disclosures relating to offsetting financial assets and financial liabilities in interim financial reports<br>• *AASB 119 Employee Benefits*– clarifies discount rate to adopt in a regional market sharing the same currency (for example, the Eurozone) by requiring that the depth of the market for high quality corporate bonds should be assessed at a currency rather than country level |

## 2. Adoption of new and revised Accounting Standards (cont'd)

**2.1 New and revised AASBs affecting amounts reported and/or disclosures in the financial statements (cont'd)**

| | |
|---|---|
| AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101' | Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 101, including narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.<br>The amendments provide additional guidance in the following areas:<br>• **Materiality**. The amendments clarify that (1) information should not be obscured by aggregating or by providing immaterial information (2) materiality considerations apply to the all parts of the financial statements and (3) even when a standard requires a specific disclosure, materiality considerations still apply, i.e. a specific disclosure is not required to be included in the financial report if it is not material to the entity.<br>• **Statement of financial position and statement of profit or loss and other comprehensive income.** The amendments (1) introduce a clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and (2) clarify that an entity's share of other comprehensive income (OCI) of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.<br>• Notes. The amendments add additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes rather than being presented in the order previously included in AASB 101. |

The application of these amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

**2.2 Standards and Interpretations in issue not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|---|
| AASB 9 'Financial Instruments', and the relevant amending standards | 1 January 2018 | 31 March 2019 |
| AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15' and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15 | 1 January 2018 | 31 March 2019 |
| AASB 16 'Leases' | 1 January 2019 | 31 December 2019 |
| AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 | 1 January 2017 | 31 March 2018 |

The potential effect of the revised Standards/Interpretations on the Company's financial statements has not yet been determined.

## 3. Significant accounting policies

### Financial reporting framework

The Group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

### Statement of compliance

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 '*Presentation of Financial Statements*', AASB 107 '*Statement of Cash Flows*' and AASB 108 '*Accounting Policies, Changes in Accounting Estimates and Errors*' and AASB 1054 '*Australian Additional Disclosures*'.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

### Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. 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. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised 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, which are described as follows:

### 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 recognised 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.

## 3. Significant accounting policies (cont'd)

**Critical accounting judgments and key sources of estimation uncertainty (cont'd)**
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.

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.

Provision for doubtful debts
Management have applied judgement at year end by estimating the value of trade and other receivables that may not be recoverable at each month and year end. The judgements applied are based on management's best estimate of non-recoverable loans and receivables that may not be recovered.

Capitalised product development costs
At year end, the entity has recognised on its balance sheet, various expenditures that relate to the development of, and registration with the relevant authorities, the products sold in the course of carrying on its business. These costs relate to licensing fees, bio equivalency studies, regulatory and other charges. Management 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 capitalised 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 J for further information.

Deferred taxation from carry forward losses
For the purposes of measuring deferred tax assets in respect of prior year carry forward tax losses, the Directors have concluded not to record a deferred tax asset in the current year despite the Group generating a profit. The determination not to recognise is prudent given this is the first year the Group has generated a taxable profit and to avoid potential reversal in future years should the Group not continue to generate taxable profit, the financial statements for 31 March 2017 do not include a deferred tax asset. This will be reassessed in the following financial year should the Group remain profitable.

## 3. Significant accounting policies (cont'd)

### (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.

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.

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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## 3. Significant accounting policies (cont'd)

### (b) 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 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.

### (c) 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.

<u>Effective Interest Method</u>
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.

<u>Loans and receivables</u>
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

<u>De-recognition of financial assets</u>
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)

### (c) 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.

### (d) 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.

### (e) Comparative amounts

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

### (f) Employee benefits

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.

### (g) 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.

## 3. Significant accounting policies (cont'd)

### (h) 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.

### (i) 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.

Goodwill, 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. An impairment of goodwill is not subsequently reversed.

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).

## 3. Significant accounting policies (cont'd)

### (j) 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.

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 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 3. Significant accounting policies (cont'd)

**(j) Income tax (cont'd)**

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.

The management determined that it was not probable that there would be future taxable profit to offset unused tax losses and unused tax credits. As such, no deferred tax asset was recognised for the financial year ended 31 March 2016.

<u>Current and deferred tax for the period</u>

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.

**(k) Intangible assets**

<u>Intangible assets acquired separately</u>

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.

<u>Internally generated - research and development expenditure</u>

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;
- 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.

## 3. Significant accounting policies (cont'd)

### (k) Intangible assets (cont'd)

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*

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.

### (l) 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.

### (m) Plant and equipment

Plant and equipment is carried at cost less, where applicable, any accumulated depreciation or impairment. Plant and equipment is 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.

### (n) 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.

### (o) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, net of sales discounts and any applicable rebates, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 3. Significant accounting policies (cont'd)

(o) **Revenue recognition (cont'd)**

Interest income

Interest income from a financial asset is recognised 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.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |

**4. Profit/(Loss) for the year from continuing operations**

Profit/(Loss) for the year from continuing operations has been arrived at after charging/(crediting)

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| Legal expenses | 186,888 | 362,622 | 186,888 | 362,622 |
| Impairment of intangibles | 80,016 | 93,316 | 80,016 | 93,316 |
| Depreciation of plant and equipment | 25,907 | 40,837 | 25,907 | 40,837 |
| Amortisation of intangible assets | 830,183 | 957,873 | 830,183 | 957,873 |
| Movement in inventory provision | 264,043 | (5,708) | 264,043 | (5,708) |
| Management fees | 382,282 | 260,788 | 382,282 | 260,788 |

**5. Revenue**

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| Sales revenue | 34,321,672 | 29,024,851 | 34,321,672 | 29,024,851 |
| Royalties, license fees & commissions | 182,339 | 296,569 | 182,339 | 296,569 |
| | 34,504,011 | 29,321,420 | 34,504,011 | 29,321,420 |

**6. Trade and other receivables**

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| Trade receivables | 5,682,997 | 5,700,427 | 5,682,997 | 5,700,427 |
| Provision for doubtful debts | (38,271) | (24,756) | (38,271) | (24,756) |
| Provision for product discounts | (1,079,372) | (558,091) | (1,079,372) | (558,091) |
| Provision for grocery terms | (52,639) | (32,008) | (52,639) | (32,008) |
| Other receivables | 1,104 | - | 1,104 | - |
| **Related party receivables:** | | | | |
| Lupin Limited | - | 69,000 | - | 69,000 |
| | 4,513,819 | 5,154,572 | 4,513,819 | 5,154,572 |

**7. Inventories**

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| Finished goods at cost | 10,311,763 | 8,704,786 | 10,311,763 | 8,704,786 |
| Provision for slow moving inventory and product expiry | (357,241) | (93,053) | (357,241) | (93,053) |
| | 9,954,522 | 8,611,733 | 9,954,522 | 8,611,733 |
| Inventory in transit | 708,090 | 819,623 | 708,090 | 819,623 |
| | 10,662,612 | 9,431,356 | 10,662,612 | 9,431,356 |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| **8. Other assets** | | | | |
| Prepaid expenses | 159,555 | 176,076 | 159,555 | 176,076 |
| **9. Goodwill on consolidation** | | | | |
| Goodwill arising on purchase of controlled entities | 2,410,266 | 2,410,266 | - | - |
| Less: Provision for impairment | (2,410,266) | (2,410,266) | - | - |
| | - | - | - | - |
| **10. Investment in controlled entities** | | | | |
| Investment in Bellwether Pharma Pty Limited | - | - | 753,749 | 753,749 |
| Less: Provision for Impairment | - | - | (753,749) | (753,749) |
| | - | - | - | - |
| **Net carrying value of investments in controlled entities** | - | - | - | - |
| **11. Office furniture and equipment** | | | | |
| Office furniture and equipment | 592,676 | 575,903 | 592,676 | 575,903 |
| Accumulated depreciation | (540,016) | (514,109) | (540,016) | (514,109) |
| **Total office furniture and equipment – written down value** | 52,660 | 61,794 | 52,660 | 61,794 |
| **12. Intangible assets** | | | | |
| Capitalised product development costs | 10,029,210 | 9,813,690 | 10,029,210 | 9,813,690 |
| Capitalised product development costs – not yet available for use | 57,830 | 235,921 | 57,830 | 235,921 |
| Accumulated amortisation | (7,618,499) | (6,788,315) | (7,618,499) | (6,788,315) |
| Accumulated impairment | (1,413,334) | (1,333,318) | (1,413,334) | (1,333,318) |
| **Total intangible asset– written down value** | 1,055,207 | 1,927,978 | 1,055,207 | 1,927,978 |

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $ | $ | $ | $ |
| **13. Trade and other payables** | | | | | |
| Trade payables | | 3,296,392 | 2,062,564 | 3,296,392 | 2,062,564 |
| Sundry creditors and accruals | | 1,032,862 | 1,105,889 | 1,032,862 | 1,105,889 |
| **Related party payables:** | | | | | |
| Lupin Limited | | 2,098,402 | 4,584,498 | 2,098,402 | 4,584,498 |
| Lupin Atlantis Holdings SA | | 25,000 | 50,000 | 25,000 | 50,000 |
| Lupin Australia Pty Ltd | | 2,778 | 3,713 | 2,778 | 3,713 |
| Kyowa Pharmaceutical Industry | | 172,854 | 260,788 | 172,854 | 260,788 |
| | | 6,628,288 | 8,067,452 | 6,628,288 | 8,067,452 |
| **14. Borrowings** | | | | | |
| Current | | | | | |
| *Secured liabilities:* | | | | | |
| Bank loans - secured | (i) | 8,200,000 | 8,000,000 | 8,200,000 | 8,000,000 |
| Trust account | | 22,599 | 22,761 | 22,599 | 22,761 |
| | | 8,222,599 | 8,022,761 | 8,222,599 | 8,022,761 |

(i) The secured liabilities are secured by a fixed and floating charge over the consolidated entity's assets and a guarantee provided by the ultimate parent – Lupin Limited.
(ii) The Company has financial guarantees at year end totaling $38,826
(iii) The Company has an available unused facility as at year-end of $500,174

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| **15. Provisions** | | | | |
| Current | | | | |
| Employee benefits | 176,010 | 160,262 | 176,010 | 160,262 |
| Employee bonus | 273,106 | 184,799 | 273,106 | 184,799 |
| | 449,116 | 345,061 | 449,116 | 345,061 |
| Non-current | | | | |
| Employee benefits | 236,794 | 180,794 | 236,794 | 180,794 |
| **16. Issued capital** | | | | |
| 207,100,371 fully paid ordinary shares (2016: $207,100,371) | 33,883,471 | 33,883,471 | 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.

## 17. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly effect, the operation of the company, the result of those operations, or the state of affairs of the company in future financial years.

## 18. Controlled entities

| | Country of Incorporation | Percentage owned 2017 | Percentage owned 2016 |
|---|---|---|---|
| **Subsidiaries of Generic Health Pty Ltd:** | | | |
| Bellwether Pharma Pty Ltd* | Australia | 100% | 100% |

| Bellwether Pharma included within the Group result: | 2017 $ | 2016 $ |
|---|---|---|
| Related loan | (177,500) | (177,500) |
| Shareholder capital | (6,102,540) | (6,102,540) |
| Accumulated funds | 6,280,040 | 6,280,040 |

* Bellwether Pharma Pty Ltd is dormant.

## 19. Remuneration of Auditors

| | | | | |
|---|---|---|---|---|
| Audit of the financial statements | 39,000 | 42,550 | 39,000 | 42,550 |
| Quarterly review | 23,300 | - | 23,300 | - |
| Other non-audit services | 4,900 | 4,800 | 4,900 | 4,800 |
| | 67,200 | 47,350 | 67,200 | 47,350 |

The auditor of Generic Health Pty Ltd is Deloitte Touche Tohmatsu.

## 20. 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:

| | | | | |
|---|---|---|---|---|
| Cash on hand | 400 | 400 | 400 | 400 |
| Cash at bank | 676,891 | 848,323 | 676,891 | 848,323 |
| | 677,291 | 848,723 | 677,291 | 848,723 |
| Bank overdraft | - | - | - | - |
| **Total cash and cash equivalents** | 677,291 | 848,723 | 677,291 | 848,723 |

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |

## 20. Cash and cash equivalents (cont'd)

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

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| **Profit/(Loss) from ordinary activities after income tax** | 599,916 | (1,658,855) | 599,916 | (1,658,855) |
| **Add/(less) non-cash items:** | | | | |
| Amortisation expense | 830,183 | 957,873 | 830,183 | 957,873 |
| Depreciation expense | 25,907 | 40,837 | 25,907 | 40,837 |
| Bad debt expense | 15,000 | 17,000 | 15,000 | 17,000 |
| Unrealised exchange (gain)/loss | (53,930) | 86,650 | (53,930) | 86,650 |
| Movement in provision for inventory | 264,188 | - | 264,188 | - |
| Impairment expense | 80,016 | 93,316 | 80,016 | 93,316 |
| Net cash provided by/(used in) operating activities before changes in assets and liabilities | 1,761,280 | (463,179) | 1,761,280 | (463,179) |
| **Changes in net assets and liabilities:** | | | | |
| (Increase)/decrease in assets: | | | | |
| Trade and other receivables | 625,753 | (1,320,818) | 625,753 | (1,320,818) |
| Inventories | (1,495,444) | (2,363,117) | (1,495,444) | (2,363,117) |
| Other assets | 16,521 | 11,413 | 16,521 | 11,413 |
| Increase/(decrease) in liabilities: | | | | |
| Trade and other creditors | (1,385,234) | 4,201,019 | (1,385,234) | 4,201,019 |
| Provisions | 160,055 | 107,764 | 160,055 | 107,764 |
| Net cash (used in)/provided by operating activities | (317,069) | 173,082 | (317,069) | 173,082 |

## 21. Income tax relating to continuing operations

| | Consolidated 2017 $ | Consolidated 2016 $ | Parent 2017 $ | Parent 2016 $ |
|---|---|---|---|---|
| Profit / (loss) before tax from continuing operations | 599,916 | (1,658,855) | 599,916 | (1,658,855) |
| Prima facie income tax expense (at 30%) | 179,975 | (479,657) | 179,975 | (479,657) |
| Effect of unused tax losses and tax offsets not recognised as deferred tax assets / income tax benefit | (179,975) | 479,657 | (179,975) | 479,657 |
| Income tax expense recognised in profit or loss (from continuing operations) | - | - | - | - |

**22. Contingent liabilities**

In respect of legal proceedings in which the Company was engaged in relation to patent infringement for a product in Australia, in the current year the Court have awarded damages to the counterparty. Lupin Limited, India (Lupin), the ultimate parent of the Company is reviewing the order and will decide next course of action. Any liabilities to be incurred (if any) with regard to this matter will be borne by Lupin and as a consequence the Company will not suffer any economic loss as a result of the court decision found against the company and accordingly no transaction has been recorded in the financial statements of the Company for the year ending 31 March 2017.