

Generic Health Pty Ltd

ACN: 110 617 859

**Annual report for the
financial year ended 31 March 2018**

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

1 May 2018

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 2018, 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

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

Report on the Audit of the Financial Report

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 2018, 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 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Regime - 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 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

- (a) The directors are responsible for the other information. The other information comprises directors declaration 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.

Other Information (continued)

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 – Reduced Disclosure Regime 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.

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.

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

- 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

DELOITTE TOUCHE TOHMATSU



Craig Bryan

Partner

Chartered Accountants

Melbourne, 1 May 2018

Directors' declaration

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, 1 May 2018

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Revenue	5	44,017,674	34,504,011
Cost of sales		(28,790,853)	(23,462,438)
Gross profit		15,226,821	11,041,573
Other income		-	122
Administration expense		(1,794,204)	(1,395,217)
Sales and marketing expense		(550,108)	(634,650)
Employee expense		(5,940,001)	(5,450,559)
Regulatory expense		(795,641)	(658,355)
Warehousing expense		(1,165,046)	(1,058,016)
Finance expense		(135,000)	(308,876)
Depreciation & amortisation		(503,539)	(856,090)
Impairment expense		-	(80,016)
Profit before tax		4,343,282	599,916
Income tax benefit	20	2,444,772	-
Profit for the year	4	6,788,054	599,916
Other comprehensive income		-	-
Total comprehensive income for the year		6,788,054	599,916

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 31 March 2018

	Note	Consolidated	
		2018 \$	2017 \$
Current assets			
Cash and cash equivalents	19(a)	4,677,728	677,291
Trade and other receivables	6	4,203,368	4,513,819
Inventories	7	10,789,015	10,662,612
Other assets	8	199,670	159,555
Total current assets		19,869,781	16,013,277
Non-current assets			
Plant and equipment	10	67,300	52,660
Intangible assets	11	661,368	1,055,207
Deferred tax assets	23	2,444,772	-
Total non-current assets		3,173,440	1,107,867
Total assets		23,043,221	17,121,144
Current liabilities			
Trade and other payables	12	8,659,219	6,923,993
Borrowings	14	5,500,000	8,200,000
Other loans and advances		177,500	177,500
Provisions	15	427,099	335,203
Total current liabilities		14,763,818	15,636,696
Non-current liabilities			
Provisions	15	84,502	77,601
Total non-current liabilities		84,502	77,601
Total liabilities		14,848,320	15,714,297
Net assets		8,194,901	1,406,847
Equity			
Issued capital	16	33,883,471	33,883,471
Accumulated losses		(25,688,570)	(32,476,624)
Total equity		8,194,901	1,406,847

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2018

Consolidated entity	Issued capital \$	Accumulated losses \$	Total \$
	<u> </u>	<u> </u>	<u> </u>
Balance at 1 April 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	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2017	<u>33,883,471</u>	<u>(32,476,624)</u>	<u>1,406,847</u>
Profit for the year	-	6,788,054	6,788,054
Other comprehensive income	-	-	-
Total comprehensive income for the year	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2018	<u>33,883,471</u>	<u>(25,688,570)</u>	<u>8,194,901</u>

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2018

		Consolidated	
		2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers		48,677,335	38,642,740
Interest received		-	122
Interest paid		(160,709)	(308,876)
Payment to employees and suppliers		(41,692,851)	(38,651,055)
Net cash provided by/(used in) operating activities	19(b)	<u>6,823,775</u>	<u>(317,069)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(50,463)	(16,774)
Purchase of intangible assets (product development costs)		(72,875)	(37,427)
Net cash used in investing activities		<u>(123,338)</u>	<u>(54,201)</u>
Cash flows from financing activities			
Net (repayments)/ proceeds from borrowings		(2,700,000)	199,838
Net cash (used in) / provided by financing activities		<u>(2,700,000)</u>	<u>199,838</u>
Net increase/(decrease) in cash held		4,000,437	(171,432)
Cash at the beginning of the financial year		677,291	848,723
Cash at the end of the financial year	19(a)	<u>4,677,728</u>	<u>677,291</u>

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 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group 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 January 2017.

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

- AASB 1048 Interpretation of Standards
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016

2.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 Financial Instruments	1 January 2018	31 March 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	31 March 2019
AASB 16 Leases	1 January 2019	31 March 2020
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	31 March 2019
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019	31 March 2020
AASB 2017-3 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016	1 January 2018	31 March 2019

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

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 – Reduced Disclosure Requirements, 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 authorised for issue by the directors on **1 May 2018**.

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. 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.

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.

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.

3. Significant accounting policies (cont'd)

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

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.

(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.

3. Significant accounting policies (cont'd)

(a) Principles of consolidation

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.

(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

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.

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

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.

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.

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

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.

3. Significant accounting policies (cont'd)

(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.

(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.

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.

(k) 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 - 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;
- 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. The useful lives adopted for Office Furniture and Equipment is up to 5years.

(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;

3. Significant accounting policies (cont'd)

(o) Revenue recognition (cont'd)

- 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.

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	
2018	2017
\$	\$

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

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

Legal expenses	233,823	186,888
Impairment of intangibles	-	80,016
Depreciation of plant and equipment	36,824	25,907
Amortisation of intangible assets	466,715	830,183
Movement in inventory provision	396,491	264,043
Movement in doubtful debtor provision	(76,000)	(13,515)
Management fees	715,861	382,282

5. Revenue

Sales revenue	43,425,094	34,321,672
Royalties, license fees & commissions	592,580	182,339
	44,017,674	34,504,011

6. Trade and other receivables

Trade receivables	6,344,598	5,682,997
Provision for doubtful debts	(114,271)	(38,271)
Provision for product discounts	(2,070,979)	(1,079,372)
Provision for grocery terms	(37,927)	(52,639)
	4,121,421	4,512,715
Other receivables	-	1,104
Related party receivables:		
Lupin Limited	81,947	-
	4,203,368	4,513,819

The average credit period on sales of goods is 60 days. No interest is charged. Allowances for doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

	Consolidated	
	2018	2017
	\$	\$
7. Inventories		
Finished goods at cost	11,335,947	10,311,763
Provision for slow moving inventory and product expiry	(753,780)	(357,241)
	10,582,167	9,954,522
Inventory in transit	206,848	708,090
	10,789,015	10,662,612
The cost of inventories recognised as an expense during the year in respect of continuing operations was 28.8 million (2017: \$23.4 million).		
8. Other assets		
Prepaid expenses	199,670	159,555
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. Office furniture and equipment		
Office furniture and equipment	643,140	592,676
Accumulated depreciation	(575,840)	(540,016)
Total office furniture and equipment – written down value	67,300	52,660

	Office furniture and equipment	Total Office Furniture and equipment
Cost		
Balance at 1 April 2017	592,676	592,676
Additions	50,463	50,463
Disposals	-	-
Balance at 31 March 2018	<u>643,139</u>	<u>643,139</u>
Accumulated depreciation		
Balance at 1 April 2017	(540,016)	(540,016)
Depreciation	(35,823)	(35,823)
Disposals	-	-
Balance at 31 March 2018	<u>(575,839)</u>	<u>(575,839)</u>
Carrying amount as at 31 March 2018	<u>67,300</u>	<u>67,300</u>

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

	2018 \$	2017 \$
11. Intangible assets		
Capitalised product development costs	10,103,863	10,029,210
Accumulated amortisation and impairment	<u>(9,498,547)</u>	<u>(9,031,833)</u>
	605,316	997,377
Capitalised product development costs – not yet available for use	<u>56,052</u>	<u>57,830</u>
Total intangible asset– written down value	<u>661,368</u>	<u>1,055,207</u>

	Capitalised product development costs	Capitalised product development costs – not yet available for use	Total
Cost			
Balance at 1 April 2017	10,029,210	57,830	10,087,040
Transfers	1,778	(1,778)	-
Additions	72,875	-	72,875
Balance at 31 March 2018	<u>10,103,863</u>	<u>56,052</u>	<u>10,159,915</u>
Accumulated depreciation			
Balance at 1 April 2017	(9,031,833)	-	(9,031,833)
Amortisation expense	(466,714)	-	(466,714)
Disposals	-	-	-
Balance at 31 March 2018	<u>(9,498,547)</u>	<u>-</u>	<u>(9,498,547)</u>
Carrying amount as at 31 March 2018	<u>605,316</u>	<u>56,052</u>	<u>661,368</u>

Consolidated

	2018	2017
	\$	\$
12. Trade and other payables		
Trade payables	3,350,219	3,296,392
Sundry creditors and accruals	1,395,033	1,032,862
Employee bonus	520,014	273,106
Trust account	22,599	22,599
Related party payables:		
Lupin Limited	3,077,553	2,098,402
Lupin Atlantis Holdings SA	25,000	25,000
Lupin Japan & Asia Pacific KK	263,511	-
Lupin Australia Pty Ltd	5,290	2,778
Kyowa Pharmaceutical Industry Co. Ltd	-	172,854
	8,659,219	6,923,993

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

13. Related party transactions

13.1 Trading transactions

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

- Stock purchases during the financial year from Lupin Australia amounted to \$7,694,800
- Guarantee commission made to Lupin Limited for an amount of \$24,979
- Royalties paid to Lupin Atlantis Holdings and Lupin Australia Pty Ltd amounted to \$100,000 and \$21,704 respectively
- Management fee paid to Kyowa Pharmaceutical Industry Co.Ltd and Lupin Japan & Asia Pacific K K amounted to \$243,338 and \$472,524 respectively

14. Borrowings

Current

Secured liabilities:

Bank loans - secured	(i)	5,500,000		8,200,000
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(i) The security for all facilities are as follows:

- All present and after acquired property of Generic Health
- Guaranteed limit of \$5.9m (used \$5.5m) borne by Lupin Limited (plus interest, costs and other liabilities).

	2018	2017
	\$	\$

15. Provisions

Current

Employee benefits	427,099	335,203
	427,099	335,203

Non-current

Employee benefits	84,502	77,601
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16. Issued capital

207,100,371 fully paid ordinary shares (2017: \$207,100,371)	33,883,471	33,883,471
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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	
		2018	2017
Subsidiaries of Generic Health Pty Ltd:			
Bellwether Pharma Pty Ltd*	Australia	100%	100%

19. 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
Cash at bank	4,677,328	676,891
Total cash and cash equivalents	4,677,728	677,291

	2018	2017
	\$	\$

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

Profit/(Loss) from ordinary activities after income tax	6,788,054	599,916
Add/(less) non-cash items:		
Amortisation expense	466,715	830,183
Depreciation expense	36,824	25,907
Doubtful debt expense	76,000	15,000
Unrealised exchange gain	(68,842)	(53,930)
Slow moving inventory expense	396,539	264,188
Impairment expense	-	80,016
Net cash provided by operating activities before changes in assets and liabilities	7,695,290	1,761,280
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	234,451	625,753
Inventories	(522,942)	(1,495,444)
Other assets	(40,115)	16,521
Deferred tax asset	(2,444,772)	-
Increase/(decrease) in liabilities:		
Trade and other creditors	1,556,158	(1,385,234)
Provisions	345,705	160,055
Net cash provided by/(used in) operating activities	6,823,775	(317,069)

20. Income tax benefit recognised in profit and loss

Current and deferred tax

In respect of the current year	1,301,360	-
In respect of prior years	1,143,412	-
	2,444,772	-

	2018	2017
	\$	\$

21. Income tax relating to continuing operations

Profit before tax from continuing operations	4,343,282	599,916
Prima facie income tax expense (at 30%)	1,302,984	179,975
Effect of unused tax losses and tax offsets not previously recognised as deferred tax assets / income tax benefit	(1,302,984)	(179,975)
Recognition of previously unrecognised deductible temporary differences	1,301,360	-
Recognition of previously unrecognised tax losses	1,143,412	-
Income tax expense recognised in profit or loss (from continuing operations)	2,444,772	-

22. Deferred tax balances

Deferred tax balances are presented in the statement of financial position as follows:

Deferred tax assets	2,444,772	-
	2,444,772	-

2018	Opening balance	Recognised in profit and loss	Acquisitions/Disposals	Closing balance
Temporary differences				
Inventory provision	-	226,072	-	226,072
Claims provision	-	717,847	-	717,847
Employee related provisions	-	346,694	-	346,694
Depreciation	-	10,747	-	10,747
Unused tax losses and credits				
Tax losses	-	1,143,412	-	1,143,412
	-	2,444,772	-	2,444,772

23. 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)	22,922,507	33,054,359
	22,922,507	33,054,359

	2018	2017
	\$	\$

24. 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

Assets

Current assets	19,869,781	16,013,277
Non-current assets	3,173,440	1,107,867
Total assets	23,043,221	17,121,144

Liabilities

Current liabilities	14,586,318	15,459,196
Non-current liabilities	84,502	77,601
Total liabilities	14,670,820	15,536,797

Equity

Issued capital	33,883,471	33,883,471
Retained earnings	(25,511,070)	(32,299,124)
Total equity	8,372,401	1,584,347

Financial performance

Profit for the year	4,343,282	599,916
Other comprehensive income	-	-
Total comprehensive income	4,343,282	599,916

25. Financial Instruments

Categories of financial instruments

The Group holds the following financial instruments:

Financial assets – amortised cost

Cash and bank balances	4,677,728	677,291
Trade and other receivables	4,203,368	4,513,819
	8,881,096	5,191,110

Financial liabilities – amortised cost

Trade and other payables	4,754,125	4,329,254
Borrowings with external parties	5,522,599	8,222,599
Related party loans	3,362,481	2,299,034
	13,639,205	14,850,887

2018	2017
\$	\$

26. Contingent liabilities

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

27. 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	553,949	494,627
Other long-term benefits	10,875	2,584
Post-employment benefits	-	-
Termination benefits	-	-
	564,824	497,211

Operating leases

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on **1 May 2018**.