Generic Health Pty Ltd

ACN: 110 617 859

Annual report for the financial year ended 31 March 2020

Table of contents **Page**

Directors' report

The directors of Generic Health Pty Ltd (the "company") submit herewith the annual financial report of Generic Health Pty Ltd and its controlled entities (collectively, "the consolidated entity") for the financial year ended 31 March 2020. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the company during or since the end of the financial year are:

Name

Fabrice Ergos	Chairman
Ashutosh Damle	Executive Director
Sunil Makharia	Director
Sofia Mumtaz	Director
Debabrata Chakravorty	Director
Sudarshan Menon	Company Secretary

The above named directors and officers held office during and since the end of the financial year unless otherwise stated.

Principal activities

The consolidated entity's principal activities in the course of the financial year were the registration and wholesale distribution of generic pharmaceutical products within Australia. Lupin Holdings B.V. (incorporated and domiciled in the Netherlands) is the company's parent entity and Lupin Limited (incorporated and domiciled in India) is the company's ultimate parent entity.

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

Review of operations

The consolidated profit for the year after providing for income tax amounted to $4,126,736 (2019: consolidated profit of $5,119,264).

Changes in state of affairs

There was no significant change in the state of affairs of the consolidated entity during the financial year.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulations

The operations of the consolidated entity are not subject to significant environmental regulations. To the best of the directors' knowledge, all activities are performed in accordance with the requirements of relevant environmental regulations.

Subsequent Events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity.
The consolidated entity considers this to be a non-adjusting post balance sheet event and accordingly the financial effects of COVID-19 have not been reflected in the consolidated entity's financial statements at 31 March 2020.

Directors' report (cont'd)

Subsequent Events (cont'd)

As the situation remains fluid due to evolving changes in government policy and evolving business and customer reactions thereto as at the date these financial statements are authorised for issue, the directors of the consolidated entity considered that the financial effects of COVID-19 on the consolidated entity's

consolidated financial statements cannot be reasonably estimated for future financial periods. However, the Director's consider that the general economic impacts arising from COVID-19 are expected to have a negative impact on the operations of some of the Group's customers, suppliers and operations.
This in turn may negatively affect the recoverability of some of the consolidated entity's assets. The economic effects arising from the COVID-19 outbreak are not expected to materially affect the consolidated results of the Group.
No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the entity in subsequent financial years.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Share options

No options over issued shares or interests in the consolidated entity were granted during or since the end of the year.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors and officers of the company and of any related body corporate against a liability incurred as such a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year ended 31 March 2020, indemnified or agreed to indemnify the auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervened in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the annual report.

Signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Ashutosh Damle
Director
Melbourne, 11 May 2020

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

11 May 2020

The Board of Directors
Generic Health Pty Ltd
Suite 2, Level 2
19-23 Prospect Street
BOX HILL VIC 3128

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 2020, 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

Craig Bryan
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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 2020, 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 2020 and of it's 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

The directors are responsible for the other information. The other information comprises directors report for the year ended 31 March 2020, 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

Craig Bryan
Partner
Chartered Accountants
Melbourne, 11 May 2020

Directors’ declaration

The directors declare that:

(a) in the directors’ opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

   (i) giving a true and fair view of the financial position as at 31 March 2020 and performance of the company for the year ended on that date; and

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

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

On behalf of the Directors

Ashutosh Damle
Director
Melbourne, 11 May 2020

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020

	Note	Consolidated	
		2020	**2019**
		$	**$**
Revenue	5	48,047,196	46,692,381
Cost of sales		(30,480,956)	(31,662,911)
Gross profit		17,566,240	15,029,470
Other income	5	38,384	2,758,920
Administration expense		(3,192,005)	(3,513,848)
Sales and marketing expense		(620,637)	(578,816)
Employee expense		(6,216,732)	(5,906,638)
Regulatory expense		(1,184,625)	(921,766)
Warehousing expense		(1,453,767)	(1,160,221)
Finance expense		(140,912)	(172,072)
Depreciation & amortisation		(669,210)	(415,765)
Profit before tax		4,126,736	5,119,264
Income tax benefit	22	-	-
Profit for the year	4	4,126,736	5,119,264
Other comprehensive income		-	-
Total comprehensive income for the year		4,126,736	5,119,264

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 31 March 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Current assets			
Cash and cash equivalents	21(a)	4,306,026	4,295,381
Trade and other receivables	6	8,336,852	7,692,303
Inventories	7	11,011,339	13,010,792
Other assets	8	225,317	201,088
Total current assets		**23,879,534**	**25,199,564**
Non-current assets			
Plant and equipment	10	197,710	249,492
Intangible assets	11	2,976,555	378,746
Right of use asset	12	1,027,585	-
Deferred tax assets	24	2,444,772	2,444,772
Total non-current assets		**6,646,622**	**3,073,010**
Total assets		**30,526,156**	**28,272,574**
Current liabilities			
Trade and other payables	13	9,807,092	8,698,613
Borrowings	15	1,250,000	5,500,000
Lease liability	16	100,525	-
Other loans and advances		177,500	177,500
Provisions	17	600,968	492,755
Total current liabilities		**11,936,085**	**14,868,868**
Non-current liabilities			
Lease liability	16	1,107,288	-
Provisions	17	108,940	89,541
Total non-current liabilities		**1,216,228**	**89,541**
Total liabilities		**13,152,313**	**14,958,409**
Net assets		**17,373,843**	**13,314,165**
Equity			
Issued capital	18	33,883,471	33,883,471
Accumulated losses		(16,509,628)	(20,569,306)
Total equity		**17,373,843**	**13,314,165**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the year ended 31 March 2020

Consolidated entity

	Issued capital $	Accumulated losses $	Total $
Balance at 1 April 2018	33,883,471	(25,688,570)	8,194,901
Profit for the year	-	5,119,264	5,119,264
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	5,119,264	5,119,264
Balance at 31 March 2019	33,883,471	(20,569,306)	13,314,165
Balance at 1 April 2019	33,883,471	(20,569,306)	13,314,165
Retained earnings adjustment on adoption of AASB 16		(67,058)	(67,058)
Profit for the year	-	4,126,736	4,126,736
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	4,126,736	4,126,736
Balance at 31 March 2020	33,883,471	(16,509,628)	17,373,843

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2020

		Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers		52,123,430	50,546,838
Interest received		38,384	10,853
Interest paid		(140,907)	(172,072)
Payment to employees and suppliers		(46,205,074)	(50,452,632)
Net cash provided by/(used in) operating activities	21(b)	5,815,833	(67,013)
Cash flows from investing activities			
Purchase of plant and equipment		(32,505)	(247,276)
Purchase of intangible assets (product development costs)		(1,403,296)	(68,058)
Net cash used in investing activities		(1,435,801)	(315,334)
Cash flows from financing activities			
Repayments from borrowings		(4,250,000)	-
Repayments from leases		(119,387)	-
Net cash used in financing activities		(4,369,387)	-
Net increase/(decrease) in cash held		10,645	(382,347)
Cash at the beginning of the financial year		4,295,381	4,667,728
Cash at the end of the financial year	21(a)	4,306,026	4,295,381

The accompanying notes form part of these financial statements.

1. General information

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

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

Generic Health Pty Ltd.'s registered office and principal place of business are as follows:
Suite 2, Level 2, 19-23 Prospect Street, Boxhill, 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 2019.

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

- AASB 16 *Leases*

Impact of initial application of AASB 16 *Leases*

In the current year, the Company has applied AASB 16 Leases (as issued by the AASBB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. The date of initial application of AASB 16 for the Company is 1 January 2019.

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below.

Impact of the new definition of a lease

The Company has made use of the practical expedient available on transition to AASB 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with AASB 117 Leases and Interpretation 4 -Determining whether an Arrangement contains a Lease, will continue to be applied to those contracts entered or modified before 1 April 2019.

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease since whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. This contrasts with the focus on 'risks and rewards' in AASB 117 and Interpretation 4.

The Company applies the definition of a lease and related guidance set out in AASB 16 to all contracts entered or changed on or after 1 April 2019.

Former operating leases

AASB 16 changes how the Company accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

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

AASB 16 – Leases (cont'd)

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.
On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets (such as tablet and personal computers, small items of office furniture and telephones) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The adoption of this standard resulted in leases previously classified as operating leases, being recognised on the statement of financial position. A related lease liability of $1,261,266 and right to use asset totalling $1,194,208, have been recognised.

	AASB 117 31/3/2019	Adjustments	AASB 16 31/3/2020
	$	$	$
Statement of financial position			
Intangible – Right to use asset	-	1,194,208	1,027,585
Lease Liability – current	-	(76,261)	(100,525)
Lease Liability – non-current	-	(1,185,005)	(1,107,288)
Retained Earnings	-	67,058	67,058

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
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 January 2020

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 authorized for issue by the directors on **11 May 2020**.

3. Significant accounting policies (cont'd)

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

Critical accounting judgments and key sources of estimation uncertainty

In the application of the consolidated entity's accounting policies the directors are required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

<u>Long service leave</u>
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.

<u>Plant and equipment</u>
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.

<u>Provision for obsolete stock</u>

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.

<u>Credit loss on trade receivables</u>

The Group has elected to use the simplified approach, which requires the recognition of lifetime expected loss allowance for all trade receivables. Trade receivables have been grouped based on credit risks attributes and debtor's days in estimating expected credit losses.

3. Significant accounting policies (cont'd)

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

Recognition of deferred tax asset in respect of losses

The Group applies judgement in estimating the recognition of the recorded deferred tax asset with respect to previously unrecognised carry forward losses. The Group applies judgement in the Group's future taxable profitability from which to realise the deferred tax asset. In the current year, the Group has elected to recognise a tax benefit equivalent to the forecast tax payable for the next financial year.

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 of, the products sold in the course of carrying on its business. These costs relate to licensing fees, bio equivalency studies, regulatory and other charges. 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 (k) for further information.

(a) Principles of consolidation

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

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

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

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

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

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

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.

3. Significant accounting policies (cont'd)

(a) Principles of consolidation (cont'd)

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

(b) 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.

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

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

3. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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.

(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.

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

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

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

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

(j) Income tax

<u>Tax consolidation</u>
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.

3. Significant accounting policies (cont'd)

(j) Income tax (cont'd)

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

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

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

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

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

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

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

(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.

3. Significant accounting policies (cont'd)

(k) Intangible assets (cont'd)

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.

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) Leases

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

Lease Liability

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

Lease payments included in the measurement of the lease liability comprise:

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. Significant accounting policies (cont'd)

(l) Leases (cont'd)

Right of use asset

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

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

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

(m) 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.

(n) 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.

(o) 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.

(p) Revenue recognition

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

Interest income
Interest income from a financial asset is recognised over time when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the

rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. Significant accounting policies (cont'd)

(p) Revenue recognition (cont'd)

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

	Consolidated	
	2020	2019
	$	$

4. Profit for the year from continuing operations

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

	2020 $	2019 $
Legal expenses	1,764,699	2,276,726
Depreciation of plant and equipment	78,124	65,085
Amortisation of right of use asset	166,623	-
Amortisation of intangible assets	424,463	350,680
Movement in inventory provision	104,078	52,426
Movement in provision for product discounts	2,372344	(618,372)
Movement in doubtful debtor provision	(15,854)	(13,768)
Management fees	210,956	262,335

5. Revenue

	2020 $	2019 $
Sales revenue	48,005,396	46,624,968
Royalties, license fees & commissions	41,800	67,413
	48,047,196	46,692,381
Other income *	38,384	2,758,920

* Other income in 2019 includes compensation from settlement of legal cases.

6. Trade and other receivables

	2020 $	2019 $
Trade receivables	11,425,744	9,269,669
Provision for doubtful debts	(84,649)	(100,503)
Provision for product discounts	(3,411,954)	(1,452,607)
Provision for grocery terms	(19,002)	(35,705)
	7,910,139	7,680,854
Related party receivables:		
Lupin Australia Pty Ltd	323,518	6,600
Nanomi B.V.	1,779	2,822
Lupin Limited	101,416	2,027
	8,336,852	7,692,303

The average credit period on sales of goods is 60 days. No interest is charged. Allowances for doubtful debts are recognized 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 2020 $	Consolidated 2019 $
7. Inventories		
Finished goods at cost	11,184,772	13,704,479
Provision for slow moving inventory and product expiry	(702,128)	(806,206)
	10,482,644	12,898,273
Inventory in transit	528,695	112,519
	11,011,339	13,010,792

The cost of inventories recognised as an expense during the year in respect of continuing operations was $30.5 million (2019: $31.6 million).

8. Other assets		
Prepaid expenses	225,317	201,088
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	369,099	887,337
Accumulated depreciation	(171,389)	(637,845)
Total office furniture and equipment – written down value	197,710	249,492

	Total Office Furniture and equipment $
Cost	
Balance at 1 April 2019	887,337
Additions	32,505
Disposals	(550,743)
Balance at 31 March 2020	369,099
Accumulated depreciation	
Balance at 1 April 2019	(637,845)
Depreciation	(78,124)
Disposals	544,580
Balance at 31 March 2020	(171,389)
Carrying amount as at 31 March 2020	197,710

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

11. Intangible assets

	Consolidated	
	2020 $	**2019 $**
Capitalised product development costs	13,162,249	10,162,915
Accumulated amortisation and impairment	(10,273,690)	(9,849,227)
	2,888,559	313,688
Capitalised product development costs – not yet available for sale	87,996	65,058
Total intangible asset– written down value	2,976,555	378,746

Cost	**Capitalised product development costs $**	**Capitalised product development costs – not yet available for use $**	**Total $**
Balance at 1 April 2019	10,162,915	65,058	10,227,973
Transfers	65,058	(65,058)	-
Additions	2,934,276	87,996	3,022,272
Balance at 31 March 2020	13,162,249	87,996	13,250,245
Accumulated depreciation			
Balance at 1 April 2019	(9,849,227)	-	(9,849,227)
Amortisation expense	(424,463)	-	(424,463)
Balance at 31 March 2020	10,273,690	-	10,273,690
Carrying amount as at 31 March 2020	2,888,559	87,996	2,976,555

	Consolidated 2020 $	Consolidated 2019 $
12. Right of use asset		
Right of use assets	1,194,208	-
Less: Accumulated amortisation	(166,623)	-
	1,027,585	-
13. Trade and other payables		
Trade payables	4,499,437	3,103,525
Sundry creditors and accruals	1,930,696	2,167,032
Employee bonus	355,659	346,136
Other	22,599	22,599
Related party payables:		
Lupin Limited	2,903,663	2,978,780
Lupin Atlantis Holdings SA	25,000	25,000
Lupin Japan & Asia Pacific KK	58,251	49,547
Lupin Australia Pty Ltd	11,787	5,994
	9,807,092	8,698,613

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

14. Related party transactions

14.1 Trading transactions

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

- Stock purchases during the financial year from Lupin Australia amounted to $6,611,279 (FY19: $10,252,405)
- Guarantee commission paid to Lupin Limited for an amount of $18,148 (FY19: $23,430)
- Royalties paid to Lupin Atlantis Holdings and Lupin Australia Pty Ltd amounted to $100,000 (FY19: $100,000) and $9,097 (FY19: $21,704) respectively
- Management fee paid to Lupin Japan & Asia Pacific K K amounted to $210,956 (FY19: $262,335).

15. Borrowings

		2020 $	2019 $
Current			
Secured liabilities:			
Bank loans - secured	(i)	1,250,000	5,500,000

(i) The security for bank facilities are as follows:

- All present and after acquired property of Generic Health
- The drawdown limit is $5.9m (PY: $5.9m), borne by Lupin Limited (plus interest, costs and other liabilities)
- Repayment for the year amounted at $4,250,000 and this decreased the balance from $5,500,000 to $1,250,000 as at 31 March 2020.

	Consolidated	
	2020	**2019**
	$	**$**
16. Lease Liability		
Current		
Lease liability	100,525	-
Non- Current		
Lease liability	1,107,288	-
17. Provisions		
Current		
Employee benefits	600,968	492,755
Non-current		
Employee benefits	108,940	89,541
18. Issued capital		
207,100,371 fully paid ordinary shares (2019: $207,100,371)	33,883,471	33,883,471

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

19. Subsequent events

The outbreak of COVID-19 and the subsequent quarantine measures imposed by the Australian and other governments as well as the travel and trade restrictions imposed by Australia and other countries in early 2020 have caused disruption to businesses and economic activity.
The consolidated entity considers this to be a non-adjusting post balance sheet event and accordingly the financial effects of COVID-19 have not been reflected in the consolidated entity's financial statements at 31 March 2020.

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

20. Controlled entities

	Country of Incorporation	Percentage owned 2020	2019
Subsidiaries of Generic Health Pty Ltd:			
Bellwether Pharma Pty Ltd	Australia	100%	100%

21. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

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

	Consolidated	
	2020	**2019**
	$	**$**
Cash on hand	400	400
Cash at bank	4,305,626	4,294,981
Total cash and cash equivalents	4,306,026	4,295,381

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

Profit from ordinary activities after income tax	4,126,736	5,119,264
Add/(less) non-cash items:		
Amortisation expense	424,483	350,680
Depreciation expense	244,747	65,084
Doubtful debt expense	84,649	36,019
Unrealised exchange gain	(4,828)	(88,823)
Loss on disposal of assets	6,163	-
Slow moving inventory expense	(104,078)	52,426
Net cash provided by operating activities before changes in assets and liabilities	4,777,872	5,534,650
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(729,199)	(3,399,953)
Inventories	2,103,531	(2,274,203)
Other assets	4,508	(1,418)
Deferred tax asset	(28,737)	-
Increase/(decrease) in liabilities:		
Trade and other creditors	(449,277)	177,094
Provisions	137,135	(103,183)
Net cash (used in)/provided by operating activities	5,815,833	(67,013)

	Consolidated	
	2020	**2019**
	$	**$**
22. Income tax benefit recognised in profit and loss		
Current and deferred tax		
In respect of the current year	1,239,132	1,398,705
In respect of prior years	(1,239,132)	(1,398,705)
	-	-
23. Income tax relating to continuing operations		
Profit before tax from continuing operations	4,126,736	5,119,260
Prima facie income tax expense (at 30%)	1,238,021	1,535,778
Effect of unused tax losses and tax offsets not previously recognised as deferred tax assets / income tax benefit	1,111	(116,735)
Recognition of previously unrecognised tax losses	(1,239,132)	(1,398,705)
Income tax benefit recognised in profit or loss (from continuing operations)	-	-

24. Deferred tax balances

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

	2020	2019
Deferred tax assets	2,444,772	2,444,772
	2,444,772	2,444,772

2020	**Opening balance**	**Recognised in profit and loss**	**Closing balance**
Temporary differences			
Inventory provision	241,862	(31,224)	210,638
Claims provision	435,782	(159,861)	275,921
Employee related provisions	316,007	34,741	350,748
Depreciation	19,525	83,476	103,001
Foreign exchange	32,891	(34,340)	(1,449)
Unused tax losses and credits			
Tax losses	1,398,705	107,208	1,505,913
	2,444,772	-	2,444,772

2019	**Opening balance**	**Recognised in profit and loss**	**Closing balance**
Temporary differences			
Inventory provision	226,072	15,790	241,862
Claims provision	717,847	(282,065)	435,782
Employee related provisions	346,694	(30,687)	316,007
Depreciation	10,747	8,778	19,525
Foreign exchange	-	32,891	32,891
Unused tax losses and credits			
Tax losses	1,143,412	255,293	1,398,705
	2,444,772	-	2,444,772

	Consolidated	
	2020	**2019**
	$	**$**

25. Unrecognised deferred tax assets

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

- tax losses (revenue in nature)	13,813,146	17,939,522

26. Parent entity information

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

Financial position		
Assets		
Current assets	23,754,532	25,074,564
Non-current assets	6,646,622	3,073,010
Total assets	30,401,154	28,147,574
Liabilities		
Current liabilities	12,061,085	14,743,868
Non-current liabilities	1,216,228	89,541
Total liabilities	13,277,313	14,833,409
Equity		
Issued capital	33,883,471	33,883,471
Retained earnings	(16,509,628)	(20,569,306)
Total equity	17,373,843	13,314,165
Financial performance		
Profit for the year	4,126,736	5,119,264
Other comprehensive income	-	-
Total comprehensive income	4,126,736	5,119,264

27. Financial Instruments

Categories of financial instruments

The Group holds the following financial instruments:

Financial assets – amortised cost		
Cash and bank balances	4,306,026	4,295,381
Trade and other receivables	8,211,852	7,567,303
	12,517,878	11,862,684
Financial liabilities – amortised cost		
Trade and other payables	9,638,564	8,095,815
Borrowings with external parties	1,272,599	5,522,600
	10,911,163	13,618,415

	Consolidated	
	2020	**2019**
	$	**$**

28. Contingent liabilities

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

28. Compensation of Key Management Personnel

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

	2020 $	2019 $
Short-term benefits	927,885	872,448
Other long-term benefits	38,048	27,730
	965,933	900,178

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on **11 May 2020.**