Generic Health Pty Ltd

ACN: 110 617 859

Annual report for the financial year ended 31 March 2022

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

16 May 2022

Dear Board Members,

Generic Health Pty Ltd

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

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

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants

Deloitte.

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

Opinion

We have audited the financial report of Generic Health Pty Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 March 2022, 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 2022 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 (including Independence Standards) (the Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises directors' report for the year ended 31 March 2022, but does not include the financial report and our auditor's report thereon.
Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE TOUCHE TOHMATSU

Jane Fisher
Partner
Chartered Accountants
Melbourne, 16 May 2022

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 2022 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, 16 May 2022

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 March 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Revenue	5	74,030,300	56,909,447
Cost of sales		(45,323,155)	(34,549,064)
Gross profit		28,707,145	22,360,383
Other income	5	7,454	111,474
Administration expense		(5,034,345)	(2,459,378)
Sales and marketing expense		(596,417)	(400,301)
Employee expense		(6,754,140)	(6,603,724)
Regulatory expense		(1,150,341)	(1,405,474)
Warehousing expense		(1,657,622)	(2,018,176)
Finance expense		(108,314)	(43,888)
Depreciation & amortisation		(837,851)	(490,048)
Depreciation - right-of-use asset		(166,623)	(166,623)
Profit before tax		12,408,946	8,884,245
Income tax benefit	22	(2,618,270)	187,298
Profit for the year	4	9,790,676	9,071,543
Other comprehensive income			-
Total comprehensive income for the year		9,790,676	9,071,543

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

at 31 March 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Current assets			
Cash and cash equivalents	21(a)	9,565,982	7,492,236
Trade and other receivables	6	16,277,823	9,272,089
Inventories	7	24,243,314	19,194,073
Other assets	8	4,195,726	200,025
Total current assets		54,282,845	36,158,423
Non-current assets			
Plant and equipment	10	70,725	135,533
Intangible assets	11	27,770,440	2,858,471
Right of use asset	12	694,339	860,962
Goodwill	9	10,269,000	-
Deferred tax assets	24	2,353,013	2,632,070
Total non-current assets		41,157,517	6,487,036
Total assets		95,440,362	42,645,459
Current liabilities			
Trade and other payables	13	18,124,870	13,950,652
Other financial liabilities	15	1,800,000	-
Lease liability	16	195,874	183,383
Other loans and advances		177,500	177,500
Provisions	17	1,058,036	831,760
Total current liabilities		21,356,280	15,143,295
Non-current liabilities			
Lease liability	16	706,007	900,841
Contract Liability	15	3,500,000	-
Borrowings	15	25,000,000	-
Other financial liabilities	15	1,200,000	-
Provisions	17	86,918	155,937
Deferred tax Liability	24	7,355,095	-
Total non-current liabilities		37,848,020	1,056,778
Total liabilities		59,204,300	16,200,073
Net assets		36,236,062	26,445,386
Equity			
Issued capital	18	33,883,471	33,883,471
Accumulated losses		2,352,591	(7,438,085)
Total equity		36,236,062	26,445,386

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 March 2022

Consolidated entity	Issued capital $	Accumulated losses $	Total $
Balance at 1 April 2020	33,883,471	(16,509,628)	17,373,843
Profit for the year	-	9,071,543	9,071,543
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	9,071,543	9,071,543
Balance at 31 March 2021	33,883,471	(7,438,085)	26,445,386
Balance at 1 April 2021	33,883,471	(7,438,085)	26,445,386
Profit for the year	-	9,790,676	9,790,676
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	9,790,676	9,790,676
Balance at 31 March 2022	33,883,471	2,352,591	36,236,062

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2022

		Consolidated	
		2022	2021
		$	$
Cash flows from operating activities			
Receipts from customers		68,194,624	61,397,214
Interest received		7,454	11,474
Interest paid		(108,314)	(34,847)
Payment to employees and suppliers		(65,203,936)	(56,627,844)
Income taxes paid		(87,907)	-
Net cash provided by operating activities	21(b)	2,801,921	4,745,997
Cash flows from investing activities			
Purchase of plant and equipment		-	(12,096)
Purchase of intangible assets (product development costs)		(816,112)	(297,691)
Net cash used in investing activities		(816,112)	(309,787)
Cash flows from financing activities			
Repayments of borrowings		-	(1,250,000)
Repayments of lease liabilities		(182,344)	-
Proceeds from borrowings		25,000,000	-
Cash Held in Escrow		3,500,000	-
Acquisition of Southern Cross Pharma		(28,229,719)	-
Net cash used in financing activities		87,937	(1,250,000)
Net increase in cash held		2,073,746	3,186,210
Cash at the beginning of the financial year		7,492,236	4,306,026
Cash at the end of the financial year	21(a)	9,565,982	7,492,236

The accompanying notes form part of these financial statements.

1. General information

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

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

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

2. Adoption of new and revised Accounting Standards

2.1 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 the current financial year. The impact of the adoption of these standards has not had a material impact on the Group's financial report.

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

- Application of COVID-19 related rent concessions beyond 30 June 2021

New and revised standards issued but not yet effective

Standard/amendment	Effective for annual reporting periods beginning on or after
Amendments to AASB 1 Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IFRS 3 - Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 -Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	1 January 2022

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below.

Impact of Amendments to AASB 1 Classification of Liabilities as Current or Non-Current

The amendments to AASB 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any assets, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Impact of Amendments to AASB 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises that 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effects of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Impact of Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimate

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: A change in accounting estimate that results from new information or new developments is not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

Impact of Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease. Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12

Impacts from Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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 16 May 2022.

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.

Long service leave

3. Significant accounting policies (cont'd)

Critical accounting judgments and key sources of estimation uncertainty (continued)

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date which includes assessing probabilities of employee retention and future wage and on-cost increases.

Plant and equipment

Useful lives and residual value of plant and equipment are reviewed annually. Judgement is applied in determining the useful lives of plant and equipment. Any reassessment of useful lives and residual value in a particular year will affect depreciation and amortisation expense (either increasing or decreasing) from the date of reassessment through to the end of the reassessed useful life for both the current and future years.

Provision for obsolete stock

Management's judgement is applied in determining the provision for inventory obsolescence. If the estimated selling price of inventory is lower than the cost to sell, the difference is recognised in the provision for obsolescence.

Credit loss on trade receivables

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

Recognition of deferred tax asset in respect of losses

The Group applies judgement in estimating the recognition of the recorded deferred tax asset with respect to previously unrecognised carry forward losses. The Group applies judgement in relation to the estimated future taxable profitability from which to realise the deferred tax asset.

Capitalised product development costs

At year end, the entity has 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. The directors have applied a degree of judgement in the classification of these expenses to the extent that they are allowable under the AASB 138. For those 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.

3. Significant accounting policies (cont'd)

(a) Principles of consolidation (cont'd)

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

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

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

(b) Business combinations

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

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

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

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

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

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

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

3. Significant accounting policies (cont'd)

Goodwill

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

(c) Borrowings

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

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

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

Borrowing costs

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

(d) Financial instruments

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

Effective Interest Method

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

Loans and receivables

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

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

De-recognition of financial assets

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

3. Significant accounting policies (cont'd)

(d) Financial instruments (cont'd)
<u>Other Financial liabilities</u>
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.

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (cont'd)

(j) Impairment of assets

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

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

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

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

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

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

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

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

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

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

(l) Income tax

Tax consolidation

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

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

3. Significant accounting policies (cont'd)

(l) Income tax (cont'd)

Current tax

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

Deferred tax

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

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

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

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

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

Current and deferred tax for the period

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

(m) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets - research and development expenditure

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

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

3. Significant accounting policies (cont'd)

(m) Intangible assets (cont'd)

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

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

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

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

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

(n) Leases

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

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

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

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

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

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

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

3. Significant accounting policies (cont'd)

(n) Leases (cont'd)

Right of use asset

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

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

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

(o) Inventories

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

(p) Plant and equipment

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

(q) Provisions

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

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

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

(r) Revenue recognition

Sale of goods

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

Interest income

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

Licence Income

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

	Consolidated 2022 $	Consolidated 2021 $

4. Profit for the year from continuing operations

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

	2022 $	2021 $
Legal expenses	3,148,493	1,280,476
Depreciation of plant and equipment	64,377	74,273
Amortisation of right of use asset	166,623	166,623
Amortisation of intangible assets	773,474	415,775
Movement in inventory provision	(141,244)	129,817
Movement in provision for product discounts	2,406,096	2,272,820
Movement in doubtful debtor provision	(21,888)	-
Management fees	662,048	536,926

5. Revenue

	2022 $	2021 $
Sales revenue	74,030,300	56,909,447
Royalties, license fees & commissions	-	-
	74,030,300	56,909,447
Other income *	7,454	111,474

* Other income in 2021 includes the ATO Cash Flow Boost of $100,000.

6. Trade and other receivables

	2022 $	2021 $
Trade receivables	17,045,310	12,681,701
Provision for doubtful debts	(62,761)	(84,649)
Provision for product discounts	(847,858)	(3,253,953)
Provision for grocery terms	(46,340)	(191,818)
	16,088,351	9,151,281
Related party receivables:		
Lupin Australia Pty Ltd	178,725	110,000
Lupin Limited	10,747	10,808
	16,277,823	9,272,089

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 2022 $	Consolidated 2021 $
7. Inventories		
Finished goods at cost	23,640,407	17,801,325
Provision for slow moving inventory and product expiry	(973,819)	(831,945)
	22,666,588	16,969,380
Inventory in transit	1,576,726	2,224,693
	24,243,314	19,194,073

The cost of inventories recognised as an expense during the year in respect of continuing operations was $45.3million (2021: $34.6 million).

8. Other assets

	2022 $	2021 $
Restricted funds *	3,500,000	-
Prepaid expenses	695,726	200,025
	4,195,276	200,025

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

9. Goodwill on consolidation

	2022 $	2021 $
Goodwill arising on purchase of controlled entities*	12,679,266	2,410,266
Less: accumulated impairment losses	(2,410,266)	(2,410,266)
	10,269,000	-

*Goodwill recognised on account of Deferred Tax liability during the year amounts to A $ 7,461,000

10. Office furniture and equipment

	2022 $	2021 $
Office furniture and equipment	308,185	381,195
Accumulated depreciation	(237,140)	(245,662)
Total office furniture and equipment – written down value	71,045	135,533

	Total Office Furniture and equipment $
Cost	
Balance at 1 April 2021	381,195
Additions	-
Disposals	(73,010)
Balance at 31 March 2022	308,185
Accumulated depreciation	
Balance at 1 April 2021	245,662
Depreciation	64,378
Disposals	(72,900)
Balance at 31 March 2022	237,140
Carrying amount as at 31 March 2022	71,045

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

	Consolidated 2022 $	Consolidated 2021 $
11. Intangible assets		
Capitalised product development costs	13,993,502	13,176,988
Acquired on acquisition of subsidiary	23,548,449	-
Accumulated amortisation and impairment	(11,395,301)	(10,689,465)
	26,146,650	2,487,523
Capitalised product development costs – not yet available for sale	121,264	370,948
Capitalised product development costs acquired through acquisition of subsidiary – not yet available for sale	1,442,526	-
Total intangible asset– written down value	27,770,440	2,858,471

	Capitalised product development costs $	Capitalised product development costs – not yet available for use $	Customer relationships $	Supplier Contracts $	Acquired products yet be registered $	Total $
Cost						
Balance at 1 April 2021	13,177,504	370,431	-	-	-	13,547,935
Disposals at cost	(67,119)	-	-	-	-	(67,119)
Acquired as part of business combination	-	-	15,512,000	7,915,402	1,442,546	24,869,948
Additions	335,092	481,020	-	-	-	816,112
Balance at 31 March 2022	13,445,477	851,451	15,512,000	7,915,402	1,442,546	39,165,741
Accumulated depreciation						
Balance at 1 April 2021	10,688,947	-	-	-	-	10,688,947
Disposals	(67,119)	-	-	-	-	(67,119)
Depreciation expense	420,458	-	233,742	119,273	-	773,474
Balance at 31 March 2022	11,042,285	-	233,742	119,273	-	11,395,301
Carrying amount as at 31 March 2022	2,403,192	851,451	15,278,258	7,796,129	1,442,546	27,770,440

	Consolidated 2022 $	Consolidated 2021 $
12. Right of use asset		
Right of use assets	1,194,208	1,194,208
Less: Accumulated amortisation	(499,869)	(333,246)
	694,339	860,962
13. Trade and other payables		
Trade payables	3,997,042	4,389,755
Sundry creditors and accruals	8,846,650	2,806,442
Employee bonus	384,960	347,854
Other	21,574	22,599
Related party payables:		
Lupin Limited	4,684,537	5,895,667
Lupin Atlantis Holdings SA	-	50,000
Lupin Australia Pty Ltd	2,516	66,384
Lupin Management Inc	187,591	92,135
Lupin Latam Inc	-	88,298
Lupin Inc	-	191,518
	18,124,870	13,950,652

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

14. Related party transactions

14.1 Trading transactions

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

- Stock purchases during the financial year from Lupin Limited amounted to $13,521,806 (FY21: $13,089,721)
- Management fee paid amounted to $ 662,049 (FY21: $90,474).

15. Borrowings and other financial liabilities

		2022	2021
Current			
Deferred consideration - undiscounted		1,800,000	-
Non – Current			
Bank loans - secured	(i)	25,000,000	-
Escrow contract liability	(ii)	3,500,000	-
Deferred consideration		1,200,000	-
		29,700,000	

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

- All present and after acquired property of Generic Health

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

16. Lease Liability

Current		
Lease liability	195,874	183,383
Non- Current		
Lease liability	706,007	900,841

Amounts recognised in profit or loss

Interest expense on lease liabilities	30,027	34,520
Depreciation expense on right-of-use assets	166,623	166,623

17. Provisions

Current		
Employee benefits	1,058,036	831,760
Non-current		
Employee benefits	86,918	155,937

18. Issued capital

207,100,371 fully paid ordinary shares (2021: 207,100,371)	33,883,471	33,883,471

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

19. Subsequent events

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

20. Controlled entities

	Country of Incorporation	Percentage owned 2022	2021
Subsidiaries of Generic Health Pty Ltd:			
Bellwether Pharma Pty Ltd	Australia	100%	100%
Southern Cross Pharma Pty Ltd	Australia	100%	0%

	Consolidated	
	2022	2021
	$	$

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:

	2022 $	2021 $
Cash on hand	400	400
Cash at bank	9,565,582	7,491,836
Total cash and cash equivalents	9,565,982	7,492,236

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

	2022 $	2021 $
Profit from ordinary activities after income tax	9,790,676	9,071,543
Add/(less) non-cash items:		
Amortisation expense	829,648	415,775
Depreciation expense	166,623	240,896
Doubtful debt expense	(21,888)	84,649
Finance costs recognised in profit or loss	249,535	-
Slow moving inventory expense	141,244	129,818
Net cash provided by operating activities before changes in assets and liabilities	11,155,838	9,942,681
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(5,835,676)	(1,019,886)
Inventories	(245,130)	(8,312,551)
Other assets	(3,280,583)	(3,445)
Deferred tax asset	-	(158,561)
Increase/(decrease) in liabilities:		
Trade and other creditors	(2,573,584)	4,027,776
Provisions	81,056	269,983
Other financial liabilities	3,500,000	-
Net cash (used in)/provided by operating activities	2,801,921	4,745,997

	Consolidated 2022 $	Consolidated 2021 $
22. Income tax benefit recognised in profit and loss		
Current and deferred tax		
In respect of the current year	3,965,320	3,106,813
In respect of prior years	(1,347,050)	(2,919,515)
	(2,618,270)	(187,298)
23. Income tax relating to continuing operations		
Profit before tax from continuing operations	12,408,946	8,884,245
Prima facie income tax expense (at 30%)	3,722,684	2,665,274
Effect of unused tax losses and tax offsets not previously recognised as deferred tax assets / income tax benefit	(1,173,412)	66,943
Recognition of previously unrecognised tax losses	68,998	(2,919,515)
Income tax benefit recognised in profit or loss (from continuing operations)	2,618,270	(187,298)
24. Deferred tax balances		
Deferred tax assets	2,353,015	2,632,070
Deferred Tax Liability on Acquisition of Southern Cross Pharma	(7,355,095)	-
	(5,002,082)	2,632,070

2022	Opening balance	Recognised in profit and loss	Closing balance
Temporary differences			
Inventory provision	249,583	42,373	291,957
Claims provision	344,971	(57,884)	287,087
Employee related provisions	426,649	(57,651)	368,998
Depreciation	-	-	-
Foreign exchange	6,557	29,776	36,333
Audit fees provision	16,680	12,233	28,913
Leases	81,717	(4,362)	77,354
Accrued expenses	-	425,950	425,950
Prepaid expenses	-	(1,014)	(1,014)
Borrowing costs	-	35,993	35,993
Tax losses	1,505,913	(704,472)	801,441
	2,632,070	(425,424)	2,353,013

2021	Opening balance	Recognised in profit and loss	Closing balance
Temporary differences			
Inventory provision	210,638	38,945	249,583
Claims provision	275,921	69,050	344,971
Employee related provisions	350,748	75,901	426,649
Depreciation	103,001	(103,001)	-
Foreign exchange	(1,449)	8,006	6,557
Audit Fees Provision	-	16,680	16,680
Leases	-	81,717	81,717
Tax losses	1,505,913	-	1,505,913
	2,444,772	187,298	2,632,070

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)	(2,671,470)

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	2022 $	2021 $
Assets		
Current assets	44,811,866	36,600,217
Non-current assets	37,824,323	6,307,882
Total assets	82,636,188	42,908,099
Liabilities		
Current liabilities	14,827,960	15,627,231
Non-current liabilities	32,292,925	1,139,636
Total liabilities	47,120,885	16,766,867
Equity		
Issued capital	33,883,471	33,883,471
Retained earnings	1,631,832	(7,438,085)
Total equity	35,515,303	26,445,386
Financial performance		
Profit for the year	9,069,917	9,071,543
Other comprehensive income	-	-
Total comprehensive income	9,069,917	9,071,543

27. Financial Instruments

Categories of financial instruments

The Group holds the following financial instruments:

Financial assets – amortised cost		
Cash and bank balances	9,565,982	7,492,236
Trade and other receivables	16,277,823	9,147,089
Prepayments	4,195,726	200,025
	30,039,531	16,839,350
Financial liabilities – amortised cost		
Trade and other payables	18,124,870	13,950,652
Borrowings with external parties	25,000,000	-
Deferred consideration	3,500,000	-
Escrow contract liability	3,500,000	-
	50,124,870	13,950,652

28. Contingent liabilities

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

29. Compensation of Key Management Personnel

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

Short-term benefits	1,024,814	979,249
Other long-term benefits	48,865	38,000
	1,073,679	1,017,249

30. Business Combination

On 4th February 2022, Generic Health Pty Ltd acquired 100% of the issued shared capital of Southern Cross Pharma Pty Ltd, thereby obtaining control of Southern Cross Pharma Pty Ltd. Southern Cross Pharma Pty Ltd provides pharmaceutical products to the market both through Over the counter, Prescription and injectable products.

Consideration Transferred

	Southern Cross Pty Ltd
Cash	24,729,719
Deferred Consideration	2,878,855
Earmarked Fund	3,500,000
Net cash outflow	31,108,574

Assets acquired and Liabilities assumed at the date of the acquisition

	Southern Cross Pty Ltd
Cash and Cash equivalents	3,724,840
Inventories	4,446,407
Identifiable intangible Assets	24,870,000
Advances and Receivables	1,570,764
Trade and other Payables	(6,311,437)
Deferred Tax Liability	(7,461,000)
Total Identifiable Assets	20,837,864
Goodwill	10,269,000

The goodwill of $ 10,269,000 arising from the acquisition of Southern Cross Pharma Pty Ltd. None of the goodwill is expected to be deductible for income tax purposes.

Net cash outflow arising on acquisition:

	Southern Cross Pty Ltd
Cash paid during the year	28,229,719

Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 16 May 2022.