Strides Arcolab (Australia) Pty Ltd

ABN 30 605 552 234

Special Purpose Financial Report
for the financial year ended 31 March 2018

Special purpose financial report
as at and for the year ended 31 March 2018

Directors' report

The directors of Strides Arcolab (Australia) Pty Ltd submit herewith the annual report of the company for the financial year ended 31 March 2018. 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 period are:

Dennis Bastas – appointed 29 April 2015
Arun Kumar – appointed 29 April 2015
Mohan Pillai – appointed 16 May 2018

Principal activities

The parent company of the consolidated entity, Strides Arcolab (Australia) Pty Ltd was incorporated on 29 April 2015. The principal activity of the consolidated entity during the financial period was the sale of generic prescription drugs, as well as an extensive range of non-prescription pharmacy products into the Australian pharmaceutical market.

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

Review of operations

A review of the operations of the consolidated entity during the financial period and the results of those operations found that during the period, the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

The profit of the consolidated entity for the financial period after providing for income tax amounted to $9,383,693.

Changes in state of affairs

During the financial period, the consolidated group acquired 100% of Amneal Pharmaceuticals Pty Ltd and its subsidiaries.

Subsequent events

On 9 May, 2018 the Group announced that it has agreed with Apotex, in principle, to merge their respective Australian business operations. The transaction is subject to entering into definitive agreements between the parties, satisfactory due diligence, customary closing conditions and statutory approvals of the Australian Competition and Consumer Commission (ACCC).

There has not been any other matter or circumstance occurring subsequent to the end of the financial period 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 company in future financial periods.

Dividends

A dividend of $196,000 was paid by Pharmacy Alliance Group Holdings Pty Ltd to the non-controlling interest.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Mr. Andrew Burgess, and all executive officers of the company and of any related body corporate against a liability incurred as such a director, secretary or executive 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 end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such as officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of this report.

Rounding of numbers

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

____

Director
Dennis Bastas
Melbourne, 31st July 2018

Directors' declaration

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

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 compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

Director
Dennis Bastas
Melbourne, 31st July 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
Australia

Tel: +61 3 9671 7000
www.deloitte.com.au

31 July 2018

The Board of Directors
Strides Arcolab (Australia) Pty Ltd
15–17 Chapel Street
Cremorne VIC 3121

Dear Board Members,

Strides Arcolab (Australia) 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 Strides Arcolab (Australia) Pty Ltd.

As lead audit partner for the audit of the financial statements of Strides Arcolab (Australia) Pty Ltd for the financial year ended 31 March 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
Australia

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www.deloitte.com.au

Independent Auditor's Report to the members of Strides Arcolab (Australia) Pty Ltd

Opinion

We have audited the accompanying financial report, being a special purpose financial report, of Strides Arcolab (Australia) Pty Ltd (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 3 and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to 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.

Emphasis of Matter – Basis of Accounting

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises the directors' report included in the Group's annual report for the year ended 31 March 2018, 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 and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Genevra Cavallo

Genevra Cavallo
Partner
Chartered Accountants
Melbourne, 31 July 2018

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

	Notes	2018 $'000	2017 $'000
Revenue from operations	4	157,013	137,819
Other income		116	582
Gain on Sale		3,748	3,336
Foreign exchange gains / (losses)		(956)	(472)
Changes in inventories		(80,862)	(74,887)
Employee benefits expense	5	(20,622)	(19,301)
Finance costs on bank borrowing		(6,515)	(3,957)
Finance costs other		(3,838)	(4,833)
Depreciation	7	(550)	(483)
Amortisation	8	(3,254)	(2,590)
Acquisition related cost		(2,406)	(533)
Administrative expenses		(28,489)	(25,189)
Profit before taxes		13,385	9,492
Income tax expense		(4,001)	(3,112)
Profit for the period		9,384	6,380
Attributable to:			
Owners of the Company		8,251	5,162
Non-controlling interest		1,133	1,218
		9,384	6,380
Other comprehensive income:		-	-
Total comprehensive profit / (loss) for the period		9,384	6,380

Notes to the financial statements are included on pages 11 to 35.

Consolidated statement of financial position as at 31 March 2018

	Notes	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	15	22,724	21,354
Trade receivables		30,011	18,921
Inventory		29,483	46,153
Prepaid expenses and deposits		3,362	534
Loans receivables	6	3,178	1,530
Total current assets		88,758	88,492
Non-current assets			
Property, plant and equipment	7	1,411	1,736
Goodwill	17	76,109	75,784
Other intangible assets	8	112,724	113,019
Investments in joint ventures	16	2,600	-
Deferred tax assets		5,309	690
Loans receivables	6	5,400	-
Total non-current assets		203,553	191,229
Total assets		292,311	279,721
Current liabilities			
Trade and other payables	10	44,059	38,991
Provisions	12	1,822	4,023
Borrowings	11	22,854	14,607
Total current liabilities		68,735	57,621
Non-current liabilities			
Borrowings	11	94,219	103,637
Provisions	12	248	246
Deferred tax liabilities		-	248
Total non-current liabilities		94,467	104,131
Total liabilities		163,202	161,752
Net assets		129,109	117,969
Equity			
Issued capital	13	119,664	117,712
Accumulated profit (losses)		6,802	(1,449)
Equity attributable to owners of the entity		126,466	116,263
Non-controlling interest		2,643	1,706
Total equity		129,109	117,969

Notes to the financial statements are included on pages 11 to 35.

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

	Issued Capital $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance 1 April 2016	98,793	(6,611)	92,182	856	93,038
Issue of shares during the period	18,919	-	18,919	-	18,919
(Loss) / profit for the period	-	5,162	5,162	1,218	6,380
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	5,162	5,162	1,218	6,380
Payment of Dividends				(368)	(368)
Balance at 31 March 2017	117,712	(1,449)	116,263	1,706	117,969

	Issued Capital $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total $'000
Opening balance 1 April 2017	117,712	(1,449)	116,263	1,706	117,969
Issue of shares during the period	1,952	-	1,952	-	1,952
(Loss) / profit for the period	-	8,251	8,251	1,133	9,384
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	8,251	8,251	1,133	9,384
Payment of Dividends				(196)	(196)
Balance at 31 March 2018	119,664	6,802	126,466	2,643	129,109

Notes to the financial statements are included on pages 11 to 35.

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

	Notes	2018 $’000	2017 $’000
Cash flows from operating activities			
Receipts from customers		164,065	147,322
Payments to suppliers and employees		(139,292)	(133,496)
Income Taxes Paid		(5,896)	(3,109)
Interest paid		(7,267)	(6,957)
Net cash generated by operating activities	15(b)	11,610	3,760
Cash flows from investing activities			
Payments for business acquisitions	9(c)	(4,934)	(23,589)
Payments for property, plant & equipment		(225)	(392)
Payments for intangible assets		(552)	(534)
Proceeds from sale of Intangibles		-	43,815
Interest received		112	582
Net cash (used in) generated by investing activities		(5,599)	19,882
Cash flows from financing activities			
Proceeds from borrowings		20,000	8,727
Repayment of borrowings		(79,229)	(46,589)
Proceeds from share issue		1,952	18,919
Loan from related parties		62,792	5,387
Repayment of borrowings to related parties		(9,986)	-
Payment of Dividends		(196)	(368)
Net cash generated by financing activities		(4,667)	(13,924)
Net increase in cash and cash equivalents		1,344	9,718
Cash and cash equivalents at the beginning of the period		21,354	11,636
Effect of exchange rate changes on cash held in foreign currencies		26	-
Cash and cash equivalents at the end of the period	15(a)	22,724	21,354

Notes to the financial statements are included on pages 11 to 35.

1. General information

Strides Arcolab (Australia) Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. The parent entity of Strides Arcolab (Australia) Pty Ltd is Strides Pharma Global Pte Ltd and the ultimate parent entity is Strides Shasun Limited.

The address of its registered office and its principal place of business are as follows:

15 – 17 Chapel Street

Cremorne, VIC 3121

The principal activity of the company during the financial period was the sale of generic prescription drugs, as well as an extensive range of non-prescription pharmacy products into the Australian pharmaceutical market.

The consolidated financial statements were authorised for issue by the directors of the Company on 31st July 2018.

2. Adoption of new and revised Accounting Standards

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

In the current period, the Company has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017, and therefore relevant for the current period end.

__Standards affecting presentation and disclosure__

AASB 1048 Interpretation of Standards	A new principal version of AASB 1048 providing an up-to-date listing of Australian Interpretations, including interpretation 22 *Foreign Currency Transactions and Advance Consideration* and Interpretation 23 *Uncertainty over Income Tax Treatments*. This service standard ensures there is no difference between the status of Interpretations in the hierarchy between IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvement 2014-2016	Amends AASB 12 Disclosure of Interests in Other Entities, to clarify the interaction of AASB 12 with AASB 5 Non-current Assets Held for Sale and Discontinued Operations to explain that disclosures under AASB 12 are required for interests in entities classified as held for sale or discontinued operations in accordance with AASB 5.

2. Adoption of new and revised Accounting Standards

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

AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	Amends AASB 112 Income Taxes to clarify: • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use • The carrying amount of an asset does not limit the estimation of probable future taxable profits • Estimates for future taxable profits exclude tax deductions resulting from reversal of deductible temporary differences • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	Amends AASB107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non cash changes.

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

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

2.2 Standards and Interpretations in issue not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 March 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	31 March 2019
AASB 2016-6 'Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts'	1 January 2018	31 March 2019
AASB 16 'Leases'	1 January 2019	31 March 2020
AASB 17 Insurance Contracts	1 January 2021	31 March 2022
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128, AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 125 and Editorial Corrections	1 January 2022	31 March 2023
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019	31 March 2020
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019	31 March 2020

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

3. Significant accounting policies

Financial reporting framework

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows,* AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors,* AASB 1031 *Materiality* and AASB 1054 *Australian Additional Disclosures*.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, 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.

Basis 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 return

The Company reassess 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 and loss from the date the Company gains control until the date 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

Basis of consolidation (cont'd)

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 Group's accounting policies.

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

Rounding off of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Critical accounting judgements and key sources of estimation uncertainty

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

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

<u>Business combination</u>

Management's judgement is applied in determining the fair value of any net assets acquired, the fair value of the consideration transferred and the fair value of the non-controlling interest in the subsidiary acquired. Refer to note 3(a) for further details.

<u>Revenue recognition</u>

Management's judgement is applied is determining the rebate obligations that reduces the revenue amount recognised.

<u>Provision for doubtful debts</u>

Management's judgement is applied in determining the provision for doubtful debts. If the estimated recoverable amount of the debtor is less than the amount of revenue recognised, the difference is recognised in the provision for doubtful debts.

<u>Provision for obsolete stock</u>

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

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Company. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Company recognises any non-controlling interest in the

(a) Business combination (cont'd)

acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the 'measurement period' (which cannot exceed one year from the acquisition date), 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.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(c) Employee benefits

A liability is recognised 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.

Liabilities recognised 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.

Liabilities recognised 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.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

(d) Financial assets

Financial assets are classified into the following specified categories: 'held-to-maturity' investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (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)

(d) Financial assets (cont'd)

through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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

Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Impairment of financial assets
Financial assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition 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. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition 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.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the

(d) Financial assets (cont'd)

transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(e) Financial Liabilities

Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities
Financial liabilities are classified as 'other financial liabilities'.

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 effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
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.

(f) Goods and services tax
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 cash flow statement 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.

(g) 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. Where 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.

(g) Impairment of assets (cont'd)

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 immediately in profit or loss, unless the relevant asset is carried at revalued amount, 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 immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined based on weighted average cost. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>

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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

<u>Deferred tax</u>

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.

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

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

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

(i) Income tax (cont'd)

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

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

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

(j) Leasing assets
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee
Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(k) Property, plant and equipment
Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment	3 – 10 years
Leasehold improvements	5 years

(l) Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the company has transferred to the buyer the significant risks and rewards of ownership of the goods.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

(m) Intangible assets

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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.

Derecognition 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 derecognition 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.

Intangible assets are amortised over their estimated useful life on a straight line basis as follows:

Intellectual property and Brand names	5 – 20 years
Non-Compete Agreement	3 years
Customer contracts and relationships	15 years
Software licences	5 years

(n) Investments in joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof,

(n) Investments in associates and joint ventures (cont'd)

is classified as held for sale, in which case it is accounted for in accordance with AASB 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB 139. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's financial statements only to the extent of interests in the joint venture that are not related to the Group.

(o) Foreign currencies

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.

(o) Foreign currencies (cont'd)

In preparing the financial statements of each individual Group entity, 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.
Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(p) 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.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 (where the effect of the time value of money is material).

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

(i) Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

4. Revenue from operations	**2018 $'000**	**2017 $'000**
Sales of goods	132,488	115,930
Rendering of services	24,525	21,889
	157,013	137,819

5. Employee benefit expenses		
Salaries and wages	17,981	16,826
Post-employment benefits – defined contribution plan	1,517	1,395
Other employee benefits	1,124	1,080
	20,622	19,301

6. Loans receivables		
Current		
Loans and advances to related parties	3,161	1,530
Other receivables	17	-
	3,178	1,530
Non-current		
Loans and advances to related parties	5,400	-
	5,400	-

7. Property, plant and equipment

	Plant & equipment $'000	Leasehold improvements $'000	Capital work-in-progress $'000	Total $'000
Cost				
Balance at 1 April 2016	313	1,252	396	1,961
Acquisitions through business combination		-	-	
Additions	683	104	(396)	391
Balance at 31 March 2017	996	1,356	-	2,352
Accumulated depreciation				
Balance at 1 April 2016	(32)	(101)	-	(133)
Depreciation	(208)	(275)	-	(483)
Balance at 31 March 2017	(240)	(376)	-	(616)
Written down value				
Balance at 1 April 2016	281	1,151	396	1,828
Acquisitions through business combination	-	-	-	-
Additions	683	104	(396)	391
Depreciation	(208)	(275)	-	(483)
Balance at 31 March 2017	756	980	-	1,736

	Plant & equipment $'000	Leasehold improvements $'000	Capital work-in-progress $'000	Total $'000
Cost				
Balance at 1 April 2017	996	1,356	-	2,352
Acquisitions through business combination		-	-	
Additions	121	104	-	225
Balance at 31 March 2018	1,117	1,460	-	2,577
Accumulated depreciation				
Balance at 1 April 2017	(240)	(376)	-	(616)
Depreciation	(246)	(304)	-	(550)
Balance at 31 March 2018	(486)	(680)	-	(1,166)
Written down value				
Balance at 1 April 2017	756	980	-	1,736
Acquisitions through business combination	-	-	-	-
Additions	121	104	-	225
Depreciation	(246)	(304)	-	(550)
Balance at 31 March 2018	631	780	-	1,411

8. Other intangible assets

Cost	Intellectual property $'000	Brand name $'000	Non-compete agreement $'000	Customer contracts and relationships $'000	Computer software $'000	Capitalised development work-in-progress $'000	Other intangibles $'000	Total $'000
Balance at 1 April 2016	54,796	3,588	3,849	3,449	109	92,233	35	158,059
Additions	-	-	-	-	4	530	-	534
Disposals	(41,849)	-	-	-		-	-	(41,849)
Balance at 31 March 2017	12,947	3,588	3,849	3,449	113	92,763	35	116,744
Accumulated amortisation								
Balance at 1 April 2016	(1,606)	(105)	(752)	(19)	(11)	-	(12)	(2,505)
Amortisation	(791)	(179)	(1,283)	(230)	(17)	(90)	-	(2,590)
Disposals	1,370							1,370
Balance at 31 March 2017	(1,027)	(284)	(2,035)	(249)	(28)	(90)	(12)	(3,725)
Written down value								
Balance at 1 April 2016	53,190	3,483	3,097	3,430	98	92,233	23	155,554
Additions	-	-	-	-	4	530	-	534
Disposals	(40,479)	-	-	-	-	-	-	(40,479)
Amortisation	(791)	(179)	(1,283)	(230)	(17)	(90)	-	(2,590)
Balance at 31 March 2017	11,920	3,304	1,814	3,200	85	92,673	23	113,019

8. Other intangible assets (cont'd)

	Intellectual property	Brand name	Non-compete agreement	Customer contracts and relationships	Computer software	Capitalised development work-in-progress	Other intangibles	Total
Cost	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 April 2017	12,947	3,588	3,849	3,449	113	92,763	35	116,744
Acquisitions through business combinations	-	1,780	-	1,373	-	-	-	3,153
Additions	-	-	-	-	-	514	-	514
Transfers	60,133	-	-	-		(60,133)	-	-
Disposals	-	-	-	(729)	-	-	-	(729)
Balance at 31 March 2018	73,080	5,368	3,849	4,093	113	33,144	35	119,682
Accumulated amortisation								
Balance at 1 April 2017	(1,027)	(284)	(2,035)	(249)	(28)	(90)	(12)	(3,725)
Amortisation	(1,386)	(231)	(1,283)	(288)	(66)	-	-	(3,254)
Transfers	(90)	-	-	-	-	90	-	-
Disposals	-	-	-	21	-	-	-	21
Balance at 31 March 2018	(2,503)	(515)	(3,318)	(516)	(94)	-	(12)	(6,958)
Written down value								
Balance at 1 April 2017	11,920	3,304	1,814	3,200	85	92,673	23	113,019
Acquisitions through business combinations	-	1,780	-	1,373	-	-	-	3,153
Additions	-	-	-	-	-	514	-	514
Transfers	60,043	-	-	-	-	(60,043)	-	-
Disposals	-	-	-	(708)	-	-	-	(708)
Amortisation	(1,386)	(231)	(1,283)	(288)	(66)	-	-	(3,254)
Balance at 31 March 2018	70,577	4,853	531	3,577	19	33,144	23	112,724

9. Acquisition of business

Amneal

During the year, Arrow Pharmaceuticals Pty Ltd acquired Amneal Pharmaceuticals Pty Ltd which resulted in goodwill of $789,304 being recognised during the financial year ended 31 March 2018. Management have finalised their assessment of the fair value of net assets acquired including tax balances as at 31 March 2018.

Details of the acquisitions are as follows:

	2018 **$'000**
(a) Consideration transferred / payable	
Cash	7,327
(b) Assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	2,393
Trade and other receivables	6,782
Inventory	2,127
Other assets	854
Deferred tax assets	5,469
Brand name	1,780
Customer contract and relationships	885
Trade and other payables	(13,332)
Income tax provision	(51)
Provisions	(369)
	6,538
(c) Net cash outflow on acquisition of business	
Consideration paid in cash	7,327
Less: cash and cash equivalent balances acquired	(2,393)
	4,934

9. Acquisition of business (cont'd)

Smarterpharm

In 2017, Pharmacy Alliance Group Holdings Pty Ltd acquired Smarterpharm Pty Ltd. In 2018 management finalised their assessment of fair value of net assets acquired which resulted in a goodwill adjustment of ($464,293)

Details of the acquisitions are as follows.

	Smarterpharm 2018 Final $'000	Smarterpharm 2017 Provisional $'000
(a) Consideration transferred / payable		
Cash	2,017	2,017
(b) Assets acquired and liabilities assumed at the date of acquisition		
Cash and cash equivalents	51	51
Trade and other receivables	27	27
Customer contract and relationships	487	-
Trade and other payables	(23)	-
	542	78
(c) Net cash outflow on acquisition of business		
Consideration paid in cash	2,017	2,017
Less: cash and cash equivalent balances acquired	(51)	(51)
	(1,966)	(1,966)

10. Trade payables and other payables

	2018 $'000	2017 $'000
Trade payables	20,541	22,822
Accrued rebates	9,220	8,018
Accrued expenses	12,794	8,151
Other Payables	1,504	-
	44,059	38,991

11. Borrowings

	2018 $'000	2017 $'000
<u>Current</u>		
External bank loans	21,019	13,242
Amount owing to related parties	1,835	1,365
	22,854	14,607
<u>Non-Current</u>		
External bank loans	600	66,467
Amount owing to related parties	93,619	37,170
	94,219	103,637

12. Provisions

	2018 $'000	2017 $'000
<u>Current</u>		
Provision for employee benefits	1,207	960
Provision for income tax	615	3,063
	1,822	4,023
<u>Non-current</u>		
Provision for employee benefits	248	246

13. Share capital

	2018 $'000	2017 $'000
Issued and fully paid up – 744,433 ordinary shares	74,443	74,443
Issued and fully paid up – 390,956 ordinary shares	40,269	-
Issued and partly paid up – 1 A Class share of AUD 8,000,000	3,000	-
Share application monies pending allotment	1,952	43,269
	119,664	117,712

Fully paid ordinary shares carry one vote per share and carry a right to dividends
A Class shares carry one vote per share and carry a right to dividends

14. Remuneration of auditors

	2018	2017
Audit of the financial statements	138,225	157,818
Other services	134,025	95,000
	272,250	252,818

The auditor of Strides Arcolab (Australia) Pty Ltd is Deloitte Touche Tohmatsu.

15. Cash and cash equivalents

(a) Cash balances

	2018 $'000	2017 $'000
Cash at bank	20,288	18,928
Deposits	2,436	2,426
	22,724	21,354

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

Profit / (Loss) for the year	9,384	6,380
Net foreign exchange (gains) / losses	956	472
Amortisation	3,254	2,590
Depreciation	550	483
Gain on Sale	(3,748)	(3,336)
Interest received	(112)	(582)
Change in operating assets and liabilities net of effect from acquisition of businesses		
Increase in trade receivables	(7,866)	(3,741)
(Increase) / Decrease in inventory	18,797	(24,935)
(Increase) / Decrease in prepaid expenses and deposits	(1,975)	835
Increase / (Decrease) in trade and other payables	(9,296)	23,793
Increase in provisions	1,063	2,185
(Increase) / Decrease in deferred tax assets	603	(153)
Decrease in deferred tax liabilities	-	(231)
Net cash generated by operating activities	11,610	3,760

16. Investments in joint ventures	2018 $'000	2017 $'000
MyPak Solutions Pty Ltd	2,600	-
Oraderm Pharmaceuticals Pty Ltd	-	-
	2,600	-

17. Goodwill	2018 $'000	2017 $'000
Balance at beginning of year	75,784	73,845
Additional amounts recognised from business combinations occurring		
during the year (note 9)	789	1,939
Adjustment to amounts recognised from business combinations occurring		
during previous year (note 9)	(464)	-
	76,109	75,784

18. Commitments for expenditure

The group had no commitments for the acquisition of property, plant and equipment as at 31 March 2018.

19. Events after the reporting period

On 9 May, 2018 the Group announced that it has agreed with Apotex, in principle, to merge their respective Australian business operations. The transaction is subject to entering into definitive agreements between the parties, satisfactory due diligence, customary closing conditions and statutory approvals of the Australian Competition and Consumer Commission (ACCC).

There has not been any other matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the group in future financial periods.

20. Contingent Liabilities

The group did not have any contingent liabilities as at 31 March, 2018.

21. Interest in other entities

The consolidated special purpose financial statements incorporate the asset, liabilities and results of Strides Arcolab (Australia) Pty Ltd and the following subsidiaries, in accordance with the accounting policy described in note 3.

Name of entity	Country of incorporation	Equity holding
Arrow Pharmaceuticals Pty Ltd	Australia	100%
Arrow Pharma Pty Ltd	Australia	100%
Amneal Pharmaceuticals Pty Ltd	Australia	100%
Amneal Pharma Australia Pty Ltd	Australia	100%
Pharmacy Alliance Investments Pty Ltd	Australia	100%
Pharmacy Alliance Group Holdings Pty Ltd	Australia	51%

21. Interest in other entities (cont'd)

Pharmacy Alliance Pty Ltd	Australia	51%
Alliance Pharmacy Pty Ltd	Australia	51%
Smarterpharm Pty Ltd	Australia	51%

22. Deed of cross guarantee

Strides Arcolab (Australia) Pty Ltd, Arrow Pharmaceuticals Pty Ltd, Arrow Pharma Pty Ltd, Amneal Pharmaceuticals Pty Ltd and Amneal Pharma Australia Pty Ltd (together referred to as the closed group) are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position of the entities party to the deed of cross guarantee are provided as follows:

Consolidated statement of profit or loss and other comprehensive income	**2018** **$'000**	**2017** **$'000**
Revenue from operations	140,125	119,373
Other income	95	543
Gain on Sale	3,748	3,336
Foreign exchange gains / (losses)	(956)	(472)
Changes in inventories	(80,834)	(72,880)
Employee benefits expense	(12,903)	(11,486)
Finance costs on bank borrowings	(6,515)	(3,957)
Finance costs other	(3,751)	(4,806)
Depreciation	(486)	(443)
Amortisation	(2,943)	(2,312)
Acquisition related cost	(2,406)	(533)
Other expenses	(22,918)	(20,127)
Profit / (Loss) before taxes	10,256	6,236
Income tax expense	(2,922)	(2,109)
Profit / (Loss) for the period	7,334	4,127
Other comprehensive income:	-	-
Total comprehensive profit / (loss) for the period	7,334	4,127

22. Deed of cross guarantee (cont'd)

Consolidated statement of financial position	**2018**	**2017**
	$'000	**$'000**
Current assets		
Cash and cash equivalents	19,454	17,537
Trade receivables	25,711	16,898
Inventory	29,483	46,153
Prepaid expenses and deposits	2,402	317
Loans receivables	3,178	1,382
Total current assets	80,228	82,287
Non-current assets		
Property, plant and equipment	1,181	1,578
Goodwill	64,743	63,954
Other intangible assets	109,197	109,668
Investments	16,717	14,117
Deferred Tax Assets	5,243	-
Loans receivables	5,400	-
Total non-current assets	202,481	189,317
Total assets	282,709	271,604
Current liabilities		
Trade and other payables	42,102	37,534
Provisions	1,369	2,750
Borrowings	21,063	13,561
Total current liabilities	64,534	53,845
Non-current liabilities		
Borrowings	93,619	102,237
Provisions	137	141
Deferred tax liabilities	-	248
Total non-current liabilities	93,756	102,626
Total liabilities	158,290	156,471
Net assets	124,419	115,133
Equity		
Issued capital	119,664	117,712
Accumulated profit / (losses)	4,755	(2,579)
Total equity	124,419	115,133

23. Parent entity financial information

(a) Summary of financial information

The individual special purpose financial statements for the parent entity show the following aggregate amounts:

	2018	2017
	$'000	**$'000**
Current assets	93,950	40,077
Non-current assets	117,818	78,712
Total assets	**211,768**	**118,789**
Current liabilities	771	48
Non-current liabilities	93,619	715
Total liabilities	**94,390**	**763**
Net assets	**117,378**	**118,026**
Issued capital	119,664	117,712
Retained earnings	(2,286)	314
Total shareholder's equity	**117,378**	**118,026**
Profit/(Loss) for the year	**(2,600)**	**314**
Total comprehensive profit / (loss)	**(2,600)**	**314**

(b) Guarantees entered into by the parent entity

Strides Arcolab (Australia) Pty Ltd is party to a Deed of Cross Guarantee under which each company guarantees the debts of the others (refer note 18).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 March 2018.

(d) Commitments for expenditure

The parent entity had no commitments for the acquisition of property, plant and equipment as at 31 March 2018