GENERIC PARTNERS PTY LTD

ABN: 11 132 833 777

Financial Report For The Year Ended 31 March 2019

Generic Partners Pty Ltd

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Financial Report For The Year Ended 31 March 2019

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GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 31 March 2019.

Directors

The names of the directors in office at any time during, or since the end of, the year are:

Sanjiv Puri

Aman Madan

Dennis Bastas

Andrew Burgess

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The profit of the company for the financial year after providing for income tax amounted to $3,706,032 (2018: $958,936). A review of the operations of the company during the financial year and the results of those operations found that changes in market demand and competition have seen an increase in sales of 2.9% to $31,281,222. The decrease in gross profit of 9.3% to $10,372,741 is due to the increase in the price of raw materials over the past 12 months.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the company occurred during the financial year.

Principal Activities

The principal activities of the consolidated group during the financial year were the sale of supply contracts for generic pharmaceuticals. No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which 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 years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared since the start of the financial year.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

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

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

GENERIC PARTNERS PTY LTD
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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director Sanjiv Puri

[Select director name]

Dated this 27 day of June 2019

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors

Generic Partners Pty Ltd
15-17 Chapel Street
Cremorne VIC 3121

27 June 2019

Dear Board Members,

Generic Partners 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 Partners Pty Ltd.

As lead audit partner for the audit of the financial statements of Generic Partners Pty Ltd for the financial year ended 31 March 2019, 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

Chris Biermann
Partner
Chartered Accountants

GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $	2018 $
Sales and other revenue	2	31,281,222	30,396,826
Other income	2	412,863	242,804
Changes in inventories		(431,676)	316,785
Raw materials and consumables used		(20,476,805)	(19,282,417)
Employee benefits expense		(1,544,058)	(1,987,961)
Freight and cartage		(1,846,250)	(2,600,115)
Cost of Destruction of Material		36,007	(204,201)
Commissioning Costs		54,912	(728,887)
Business Support Services		(1,055,927)	(1,028,898)
Contract Settlement/Termination Fees		-	(2,177,536)
Depreciation and amortisation expense		(92,425)	(61,990)
Commission paid		(94,700)	-
Finance costs	3(a)	(36,908)	(1,529)
Other expenses		(1,316,690)	(1,305,440)
Profit before income tax		4,889,565	1,577,441
Tax (expense) income	4	(1,183,533)	(618,505)
Profit for the year		3,706,032	958,936
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,706,032	958,936

The accompanying notes form part of these financial statements.

GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	1,059,456	279,544
Trade and other receivables	6	13,817,085	16,740,410
Inventories	7	-	431,676
Other current assets	8	10,548	59,823
TOTAL CURRENT ASSETS		14,887,089	17,511,453
NON-CURRENT ASSETS			
Property, plant and equipment	9	74,868	109,342
Deferred tax assets		893,922	1,797,306
Intangible assets	10	8,855,595	679,887
TOTAL NON-CURRENT ASSETS		9,824,385	2,586,535
TOTAL ASSETS		24,771,474	20,097,988
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	12,140,161	9,926,764
Current tax liabilities	13	-	-
Provisions	14	1,943,012	3,362,863
TOTAL CURRENT LIABILITIES		14,083,173	13,289,627
NON-CURRENT LIABILITIES			
Borrowings	12	14,845,878	14,845,878
Provisions	14	972,943	205,358
TOTAL NON-CURRENT LIABILITIES		15,818,821	15,051,236
TOTAL LIABILITIES		29,901,994	28,340,863
NET ASSETS		(5,190,520)	(8,242,875)
EQUITY			
Issued capital	15	1,758	1,758
Accumulated losses		(5,192,278)	(8,244,633)
TOTAL EQUITY		(5,190,520)	(8,242,875)

The accompanying notes form part of these financial statements.

GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

	Note	Share Capital	Retained Earnings (accumulated losses)	Total
		$	$	$
Balance at 1 April 2017		1,758	(9,203,569)	(9,201,811)
Comprehensive income				
Profit for the year			958,936	958,936
Total comprehensive income for the year attributable to members of the entity		-	958,936	958,936
Balance at 31 March 2018		1,758	(8,244,633)	(8,242,875)
Balance at 1 April 2018		1,758	(8,244,633)	(8,242,875)
Initial adoption of AASB 15			(653,677)	(653,677)
Comprehensive income				
Profit for the year			3,706,032	3,706,032
Total comprehensive income for the year attributable to members of the entity		-	3,706,032	3,706,032
Balance at 31 March 2019		1,758	(5,192,278)	(5,190,520)

The accompanying notes form part of these financial statements.

GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		29,408,002	33,616,751
Payments to suppliers and employees		(30,417,252)	(33,140,308)
Interest received		687	715
Finance costs		(36,908)	(468,835)
Income tax paid		-	-
Net cash provided by/(used in) operating activities	16(a)	(1,045,471)	8,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(9,185)	(21,573)
Purchase of investments		(8,224,475)	(679,887)
Loan payments made to related parties		-	-
Repayment of intercompany receivables		8,281,420	55,023
Net cash provided by/(used in) investing activities		47,760	(646,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,777,623	-
Net cash provided by/(used in) financing activities		1,777,623	-
Net increase/(decrease) in cash held		779,912	(638,114)
Cash and cash equivalents at beginning of financial year		279,544	917,658
Cash and cash equivalents at end of financial year	5	1,059,456	279,544

The accompanying notes form part of these financial statements.

These financial statements and notes represent Generic Partners Pty Ltd. Generic Partners Pty Ltd is a company limited by shares, incorporated and domiciled in Australia

The financial statements were authorised for issue on [insert date] by the directors of the company.

Note 1 Summary of 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. For the purpose of preparing the financial statements, the Company is a for-profit entity.

Statement of compliance

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

Basis of preparation

These special purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Going Concern

As at 31 March 2019, the balance sheet disclosed a net asset deficiency of $5,190,520 (2018: $8,242,875). The company reported an after tax profit of $3,706,032 (2018: $958,936) for the year ended 31 March 2019 and generated a net operating cash outflow of $1,045,471 (2018 Inflow: $8,323).

Notwithstanding the above, the financial statements have been prepared on a going concern basis, which contemplates the continuation of normal business operations and the realisation of assets and settlement of liabilities in the normal course of business.

The Directors have considered the financial position of the Company and have noted that its non-current liabilities include a loan from its parent entity, Generic Partners Holdings Pty Ltd, of $14,845,878, which is not repayable until August 2025. Excluding this loan, the Company has positive net assets of $9,655,358. The Directors also note that the Company has a positive net current asset position of $803,916. As such, the Directors are satisfied that the financial statements should be prepared on a going concern basis.

(b) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations other than those associated with the issue of a financial instrument are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Changes in the company's ownership interests in subsidiaries that do not result in the company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the company 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 company had directly disposed of the related assets or liabilities of the subsidiary (ie reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Company holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Company can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value ("full goodwill method") or at the non-controlling interest’s proportionate share of the subsidiary’s identifiable net assets ("proportionate interest method"). In such circumstances, the Company determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is determined using valuation techniques which make the maximum use of market information where available.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the company’s cash-generating units or groups of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(c) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. Refer to Note 1(x) for further details relating to changes in the inventory valuation accounting policy.

(e) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are charge to the statement of profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses recognised. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(i) for details of impairment).

The cost of fixed assets constructed includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset’s useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	20% to 66.67%
Furniture & Fixtures	10% to 33.33%
Office equipment	20% to 66.67%
Motor Vehicles	25%

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(f) Financial Instruments

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant year. 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) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assess impairment of trade receivables on a collective basis as they possess credit risk characteristics based on the days past due. The Group allows for amounts that over 90 days past due and writes off any amounts more than 12 months past due and there is no realistic prospect of recovery.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group 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

The entity recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The entity always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the entity's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the entity recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the entity measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group 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 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.

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 Group derecognises financial liabilities when, and only when, the Group’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.

(g) Impairment of Assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset’s fair value less costs of disposal and value in use to the asset’s carrying amount. Any excess of the asset’s carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives and intangible assets not yet available for use.

(h) Foreign Currency Transactions and Balances Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity’s functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on translation of are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss

(i) Employee Benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(j) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Revenue recognition

The entity recognises revenue from the following major sources:

Revenue Stream	Performance Obligation	Timing of Recognition
Sale of pharmaceutical goods	Based on International Commercial Terms	Based on International Commercial Terms (Point-in-time)
Out license fees (Milestone)	Completion of the milestone	At completion of milestone (Over-time)
On Charge of Delivery Charges	Goods delivered to customers warehouse	Goods delivered to customers warehouse (Point-in-time)
Profit share	Monthly or quarterly as per agreement based on customer sales	Monthly or quarterly as per agreement based on customer sales (Over-time)

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognises revenue when it transfers control of a product or service to a customer.

Interest revenue

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

(m) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(g) for further discussion on the determination of impairment losses.

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially measured their fair value and subsequently measured at amortised cost using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(p) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

(i) Impairment

The company assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key judgements

(i) Employee benefits

For the purpose of measurement, AASB 119: *Employee Benefits* defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As the company expects that most employees will not use all of their annual leave entitlements in the same year in which they are earned or during the following 12-month period, obligations for annual leave entitlements are classified under AASB 119 as other long-term employee benefits and, therefore, are required to be measured at the present value of the expected future payments to be made to employees.

(q) Adoption of new and revised Accounting Standards

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

In the current year, 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 year that begins on or after 1 January 2017, and therefore relevant for the current year end.

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

AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2014-1 Amendments to Australian Accounting Standards (Part E – Financial Instruments], AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The Standard carries over the existing derecognition requirements from AASB 139 but all other areas of AASB 139 have been revised.

AASB 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments not held for trading can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss
- All other instruments (including all derivatives unless in a hedge relationship) are measured at fair value with changes recognised in profit or loss
- The concept of 'embedded derivative' does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit and loss – in these cases, the portion of the change in fair value related to changes in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss, unless it creates a mismatch in profit or loss.

A new impairment model based on expected credit losses will apply to debt instruments measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and written loan commitments and financial guarantee contracts. The loan loss allowance will be for either 12-month expected losses or lifetime expected losses. The latter applies if credit risk has increased significantly since initial recognition of the financial instrument.

A new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. However, some transition options exist that allow entities to essentially retain AASB 139 hedge accounting.

As the Group has an extremely low incidence of overdue debts there is no material impact material impact on the disclosures or on the amounts recognised in the Group's financial statements.

AASB Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15, and AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15

AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services.

The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services

The application of AASB 15 has had the following impact in 2019.

- Revenue from Sale of goods has not changed
- Revenue from rendering of services has increased by $69,341 due to the amortisation of services contract amounts over the term of the relevant contract
- Deferred revenue (included within current and non-current provisions) has increased by $862,485 to reflect revenue that will be deferred and recognised over the term of customer contracts
- Current tax expense has increased by $20,802 and Deferred Tax Asset has increased by $259,345 which reflects the tax impact of the above
- The cumulative effect of initial application was recognised as a decrease in retained earnings of $653,677 at the beginning of the reporting year. Comparative prior years have not been adjusted.

(r) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

— recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);

— depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;

— inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;

— application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and

— inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Assessment of Impact

As at 31 March 2019, the Company has determined that the standard will impact the accounting for property leases.

The following impacts are expected on implementation of the new requirements:

• A material right-of-use asset and a lease liability will be recognised on the balance sheet, with the difference posted to retained earnings;

• Finance costs will increase due to the impact of the interest component of the lease liability;

• Depreciation expense will increase due to depreciation of the right-of-use asset over the lease term;

• Lease rental operating expenses will reduce to close to nil; and

• In the cash flow statement, operating cash outflows will decrease, and financing cash outflows will increase as repayment of the principal balance in the lease liability will be classified as a financing activity.

Management has not yet quantified the impact of these changes.

Transition

We expect to apply the modified retrospective transition approach upon implementation from 1 April 2019. Under this option, the comparative period is not restated. The ‘right of use’ (ROU) asset is calculated as the written down value of the asset had it been depreciated from the date the lease was implemented, the lease liability is calculated based on the present value of remaining lease payments and any variance between the liability and asset on transition is recorded in opening retained earnings (no EBIT impact).

In applying AASB 16 for the first time, the Group plans to use the following practical expedients permitted by the standard:

• The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

• The accounting for operating leases with a remaining lease term of less than six months and leases of low-value assets (such as computers and furniture) as at 1 April 2019 as short-term leases;

• The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;

• The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and

• Will not reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group will rely on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Note 2 Revenue and Other Income

	2019 $	2018 $
Sales revenue:		
— sale of goods	28,403,410	26,970,737
— Profit Share	751,359	301,134
Total sales revenue	29,154,769	27,271,871
Interest revenue		
— other persons	687	715
	687	715
Services revenue	-	-
— Milestone Income	182,245	363,290
— Development Income	-	74,339
— On Charge of Delivery Charges	1,857,662	2,539,982
— Management Fee Income	85,859	146,629
Total services revenue	2,125,766	3,124,240
Total sales revenue and other revenue	31,281,222	30,396,826
Other income:		
— Forex Gain / Loss	1,432	242,804
— other income	411,431	-
Total other income	412,863	242,804

Note 3 Profit before Income Tax

Profit before income tax from continuing operations includes the following specific expenses:	2019 $	2018 $
(a) Expenses		
Interest expense on financial liabilities not at fair value through profit or loss:		
— Interest Expense	21,093	7
— Interest/Penalty on Late Payment	15,815	1,522
Total finance costs	36,908	1,529
Employee benefits expense	1,544,058	1,987,961

Note 4 Tax Expense

	2019 $	2018 $
The components of tax (expense) income comprise:		
Current tax	-	-
Deferred tax	1,183,533	618,505
Recoupment of prior year tax losses		
Under provision in respect of prior years		
	1,183,533	618,505

Note 5 Cash and Cash Equivalents

	2019	2018
CURRENT	$	$
Cash at bank and on hand	1,059,456	279,544
	1,059,456	279,544

Note 6 Trade and Other Receivables

	2019	2018
	$	$
CURRENT		
Trade receivables	8,451,013	6,165,617
Other receivables	3,149,830	77,131
Loans to other related parties	2,216,242	10,497,662
Total current trade and other receivables	13,817,085	16,740,410

Note 7 Inventories

	2019	2018
	$	$
CURRENT		
At cost:		
Work in progress	-	-
Finished goods	-	431,676
	-	431,676

Note 8 Other Assets

	2019 $	2018 $
CURRENT		
Prepayments	10,548	59,823
	10,548	59,823

Note 9 Property, Plant and Equipment

	2019 $	2018 $
Computer Equipment at Cost	250,624	241,439
Accumulated Depreciation	(190,748)	(154,373)
	59,876	87,066
Furniture & Fixtures at Cost	124,015	125,183
Accumulated Depreciation	(122,642)	(121,065)
	1,373	4,118
Vehicles at Cost	93,733	93,733
Accumulated Depreciation	(80,114)	(75,575)
	13,619	18,158
Total plant and equipment	74,868	109,342
Total property, plant and equipment	74,868	109,342

Note 10 Intangible Assets

	2019 $	2018 $
Capital Work In Progress		
Opening Balance	679,887	-
Additions	86,475	679,887
Accumulated Amortisation	-	-
Carrying amount	766,362	679,887
Trademarks, Registrations & Brands		
Opening Balance	-	-
Additions	8,138,000	-
Accumulated Amortisation	(48,767)	-
Carrying amount	8,089,233	-
Total Intangible Assets	8,855,595	679,887

Note 11 Trade and Other Payables

	Note	2019 $	2018 $
CURRENT			
Unsecured liabilities			
Trade payables		6,424,964	5,644,166
Sundry payables and accrued expenses		-	238,971
Other payables (net amount of GST payable)		431,284	544,640
Amounts payable to:			
— other related parties		-	(25,011)
— Advances from related party customers		5,261,756	3,509,144
— Superannuation Payable		22,157	14,854
		12,140,161	9,926,764

Note 12 Borrowings

	Note	2019 $	2018 $
NON-CURRENT			
Unsecured loan from related party		14,845,878	14,845,878
Total non-current borrowings		14,845,878	14,845,878
Total borrowings		14,845,878	14,845,878

Note 13 Tax

	2019 $	2018 $
CURRENT		
Income tax payable	-	-
Total	-	-

Note 14 Provisions

Analysis of Provisions

	2019	2018
CURRENT		
Employee Benefits	$	$
Opening balance at 1 April 2018	231,642	-
Additional provisions raised during year	52,500	231,642
Amounts used	(100,942)	-
Balance at 31 March 2019	183,200	231,642
Provision for Contract Settlement	513,123	548,807
Other Provisions	1,177,348	2,582,414
Deferred Revenue	69,341	-
Total current provisions	1,943,012	3,362,863
NON-CURRENT		
Employee Benefits		
Opening balance at 1 April 2018	205,358	293,400
Additional provisions raised during year	33,000	143,600
Amounts used	(60,558)	(231,642)
Balance at 31 March 2019	177,800	205,358
Deferred Revenue	795,143	-
Total non-current provisions	972,943	205,358

Note 15 Issued Capital

	2019 $	2018 $
1,000 (2018: 1,000) fully paid ordinary shares	1,758	1,758
	1,758	1,758

The company has authorised share capital amounting to 1,000 ordinary shares at no par value

(a) Ordinary Shares

	No. of shares	No. of shares
At the beginning of the reporting period	1,000	1,000
At the end of the reporting period	1,000	1,000

Ordinary shareholders participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Note 16 Cash Flow Information

	2019 $	2018 $
(a) Reconciliation of cash flows from operating activities with profit after income tax		
Net profit	3,706,032	958,936
Non-cash flows in profit		
— depreciation	92,425	61,990
Changes in assets and liabilities:		
— (increase)/decrease in trade and other receivables	(5,358,095)	1,096,376
— (increase)/decrease in other assets	49,275	96,253
— (increase)/decrease in inventories	431,676	(316,785)
— (increase)/decrease in deferred income tax assets	903,384	618,506
— increase/(decrease) in trade and other creditors	435,775	(3,141,720)
— increase/(decrease) in income taxes payable	-	-
— increase/(decrease) in deferred taxes payable		-
— increase/(decrease) in AASB 15 recognition	(653,677)	-
— increase/(decrease) in provisions	(652,266)	634,767
Net cash provided by operating activities	(1,045,471)	8,323

Note 17 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 18 Company Details

The registered office of the company is:

Arrow Pharmaceuticals

15 Chapel Street, Cremorne VIC 3121

The principal place of business is:

Generic Partners Pty Ltd

Level 1, 313 Burwood Road, Hawthorn VIC 3122

GENERIC PARTNERS PTY LTD
ABN: 11 132 833 777
DIRECTORS' DECLARATION

As detailed in Note 1 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 Company.

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 Sanjiv Puri

[Select director name]

Dated this 27 day of June 2019

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

Opinion

We have audited the financial report of Generic Partners Pty Ltd (the "Entity") which comprises the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income and statement of changes in equity and the 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 Entity, is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Entity's financial position as at 31 March 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1 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 Entity 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 1 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 are responsible for the other information. The other information comprises the directors' report for the year ended 31 March 2019, 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.

Directors' Responsibilities for the Financial Report

The directors 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 1 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 Entity's ability 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 Entity or to cease operations, or have 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 Entity'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 Entity'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 Entity 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

Chris Biermann
Partner
Chartered Accountants
Melbourne, 27 June 2019