



grow with  genepharma

GENEPHARM AUSTRALASIA LIMITED

ANNUAL REPORT

For the year ended 30 June 2006

Corporate Information

ABN 52 107 340 367

Directors

T.J.R. O'Brien (Chairman)

D. Bastas (Chief Executive Officer)

G.R. Harding (Chief Financial Officer)

A.N. Vigopoulos

Company Secretary

J. Dal Santo

Registered office

Level 1, 263 City Road

Southbank VIC 3006

Solicitors

Deacons

Auditors

Ernst & Young

Bankers

ANZ Bank

Share Register

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnstone Street

Abbotsford VIC 3067

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Internet Address

www.genepharma.com.au

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Review by Chairman and CEO

This has been a most dynamic year for Genepharm Australasia. The launch of our first products to market in April 2006 reflected the culmination of over two years of planning. The Company deployed an experienced and results focused sales team that launched a successful sales and marketing program creating strong demand for Genepharm products that exceeded our expectations.

The executive team saw a clear opportunity emerge to consolidate activity in the generic marketplace and to further develop the Company's unique marketing opportunity through a strategic acquisition. In June 2006 the Company announced the acquisition of Douglas Pharmaceuticals Australia Limited (DPAL). A strategic asset of the DPAL purchase is a diversified product portfolio which includes 'blockbuster' generic pharmaceuticals, branded generics, hospital products, over the counter (OTC) medicines and dermo-cosmetic products. This product range along with an established direct sales model, provide the Company with the opportunity to bring its performance and market share expectations forward by several years and establish a sustainable platform for Genepharm's future growth and profit expectations.

Genepharm began the year by refining the distribution, sales and marketing model in readiness for the product launches in early 2006 of the Company's first three prescription medicines to Australian pharmacists, namely Simvastatin, Ciprofloxacin, and Metformin. The Company generated net revenue of over \$2.2 million to 30 June 2006.

Integration between the two entities in the area of product development has focused on 'filling out' the Company's generic product portfolio that will further enable Genepharm to offer a complete 'one stop' proposition to pharmacy. Assisting this is a developing range of branded OTC and complimentary medicines. In summary, this will provide the company with a range of the biggest selling generic drugs complimented by a broad range of consumer medicines and other health related products that will create a unique sales offer for our customers.

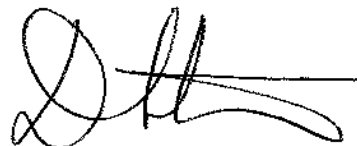
At an industry level the focus on generics within the Australian pharmaceutical industry continues to intensify. The loss of patent protection for leading PBS molecules such as simvastatin has raised the awareness of generic medicines which are now widely accepted by the Australian public. This is very important going forward as further high value PBS prescription medicines loose their patent protection in the next two-three years.

Government is also taking an increasing role in promoting the use of generic medicines as it seeks ways to hold spending on healthcare at growth rates similar to GDP growth. This remains a challenging target in the face of the continued ageing of the Australian population.

On behalf of Genepharm Australasia we thank you for your support and look forward to continuing our goal of providing value to all our stakeholders and again achieving all our targets in the 2007 financial year. The Board would also like to acknowledge the performance and commitment of the management and staff during the year and look forward to their continued support.



Thomas J.R. O'Brien (AM)
Chairman



Dennis Bastas
CEO/Managing Director

Business Overview

THE COMPANY

Geneparm Australasia is an Australian owned and Australian managed enterprise built on a sustainable business platform of leading products, best people and cost efficient infrastructure.

Geneparm's goal is to continue to build a valuable business for all stakeholders, be they shareholders, employees, customers or business partners.

OPERATIONAL HIGHLIGHTS

First PBS medicine listings in April 2006

Experienced pharmaceutical sales personnel employed

First retail pharmacy sales in April 2006

Acquisition of Douglas Pharmaceuticals in July 2006 for \$70 million

FINANCIAL SUMMARY 2006

Gross Sales	\$ 3.44 million
Net Revenues	\$ 2.20 million
EBITDA	(\$ 3.57 million)
Cash at Bank (30 th June 2006)	\$ 14.99 million

Business Overview (continued)

OPERATING PERFORMANCE

In April 2006 Genepharma recorded its first sales of products to retail pharmacies. The company launched with three key generic prescription pharmaceuticals, namely: simvastatin for the treatment of patients with high cholesterol, metformin for patients with Type II diabetes and ciprofloxacin an oral antibiotic. These three products contributed gross sales of \$3.44 million from April to year end.

The company also achieved the successful TGA approval for key oncology drugs: Carboplatin, Doxorubicin, Epirubicin and Mitozantrone.

Part of the pre launch activities included the recruitment and training of new high quality sales personnel as well as refining the sales offer for customers. The combination of a high quality sales team and a unique selling proposition provided the basis for a strong sales result.

The sales performance exceeded internal expectations and hence Directors sought other opportunities whereby the value creation model could be further advanced in the marketplace. Accordingly the company made an offer to acquire DPAL from its New Zealand parent in June and this transaction closed successfully in July 2006. (Details of the DPAL acquisition are set out below).

Subsequent to the year end the company announced the successful acquisition of the dermatology brands and assets operated by Clinuvel Limited. In this transaction Genepharma will acquire a further five topical dermatological products to add to the existing range of over 50 branded dermatologicals and dermo-cosmetic products. This transaction has enabled the company to strengthen its already well established position in the dermatology market and is seen as a major growth segment for the company going forward.

The business is well positioned for the 2007 financial year with a sound sales and marketing strategy that will uniquely position the company with Australian pharmacists. The four key elements of that strategy are built around the company's core product development infrastructure and are based on a commercial relationship with pharmacy that will provide a competitive and sustainable model of value, service, customer care and equity.

The Company's focus is to establish a business with a diversified health care offering that is clearly focused on our target customer segments. The acquisition of DPAL has accelerated our development plans and importantly has provided an infrastructure and business model that will see the Company continue to grow strongly well into the new decade.

Business Overview (continued)

ACQUISITION OF DOUGLAS PHARMACEUTICALS AUSTRALIA LIMITED

Background Information on DPAL

DPAL began operations in the Australian market in 1991 as the subsidiary of New Zealand company Douglas International Holdings Limited. DPAL's initial focus was to register, market, sell and distribute products developed and manufactured by DIHL.

The company evolved to become a diversified pharmaceuticals business with a differentiated product offering to Australia retail pharmacies and hospitals. The product categories include:

- Generic medicines – DPAL marketed both “blockbuster” and niche patent expired medicines.
- Branded generics – Dermatology products that had brand led sales. Estelle ED 35™ is currently the market leader in its class.
- Over-the-Counter (OTC) healthcare – Products include Hairy Lemon, Uricleanse and Iron Melts which have strong consumer branding.
- Avene™ and Klorane™ products – A range of dermo-cosmetic products for skin and hair from France.
- Hospital products – Medicines dispensed in hospitals which include Curosurf™, the patented formulation for pre-mature babies.

DPAL expanded their sourced range by acquiring or licensing products from a number of leading international drug developers and manufacturers based on the criteria of cost competitiveness, integration, reliability of supply, quality of manufacture and product differentiation.

The newly combined business is well positioned for growth due to:

- Access to low cost product supply,
- Diversified portfolio of drug types with high market values,
- Strong pipeline of new product developments from various sources to capture growth opportunities from patent expiries, and
- Direct to customer distribution channel.

Benefits of Acquiring DPAL

The acquisition of DPAL provided the Company with the unique opportunity to accelerate its growth. The Board of Genepharm saw in DPAL the chance to further exploit our already successful sales and marketing program more rapidly.

There were also significant synergy benefits in the integration of the drug development pipelines and the associated costs as well as consolidating sales and marketing operations and other back office activities.

Business Overview (continued)

ACQUISITION OF DOUGLAS PHARMACEUTICALS AUSTRALIA LIMITED (continued)

Financial details of the Acquisition

Genepharma acquired DPAL for a purchase price of \$70 million. The purchase price to be paid by way of a \$55 million payment in July 2006 and \$15 million deferred consideration, payable in cash or shares from July 2007 until June 2011.

Genepharma funded the acquisition by way of a share placement which raised \$11.4 million and a fully underwritten two for three rights issue that raised \$51.7 million. Expenses of the offer totalled \$3 million.

Subsequent to the year end the company successfully completed the transaction in mid July and the merged entity is now operating under the Genepharma name.

Key products of the expanded Genepharma portfolio



OTC Healthcare



Dermo-Cosmetics

Business Overview (continued)

ACQUISITION OF THE DERMATOLOGY BUSINESS OF CLINUVEL LIMITED

Since year end the company has entered into a Heads of Agreement to acquire the dermatological assets of Clinuvel Limited. Under the trading name of Epipharm the company had since late 2005 in-licensed and marketed a range of five topical dermatological products licensed from overseas patent holders that are PBS, private prescription and an over-the-counter (OTC) medications. The \$1 million acquisition of the dermatological product licenses and stock enables Genepharm to increase its presence in the dermatological segment. Importantly the small range of products acquired is complimentary and does not conflict with the existing range of Dermatological products now being offered in the existing business.

Analysis of this market suggests the combined prescription and OTC dermatological segment is worth approximately \$300 million per annum. (Source – IMS data June 2006). The OTC segment is a steady growth segment where many consumers of dermatology products self medicate and follow endorsement of the pharmacist and pharmacy assistants. Hence the strong relationship that is established between Genepharm and the pharmacy enhances our ability to increase the penetration of dermatology products with our retail pharmacy customers going forward.

OUTLOOK

Genepharm is well positioned for the 2007 financial year with a sound sales and marketing strategy that will uniquely position the company with Australian pharmacists. The four key elements of that strategy are built around the company's core product development infrastructure and are based on a commercial relationship with pharmacy that will provide a competitive and sustainable model of value, service, customer care and equity.

The Company's operations can be summarised as follows:



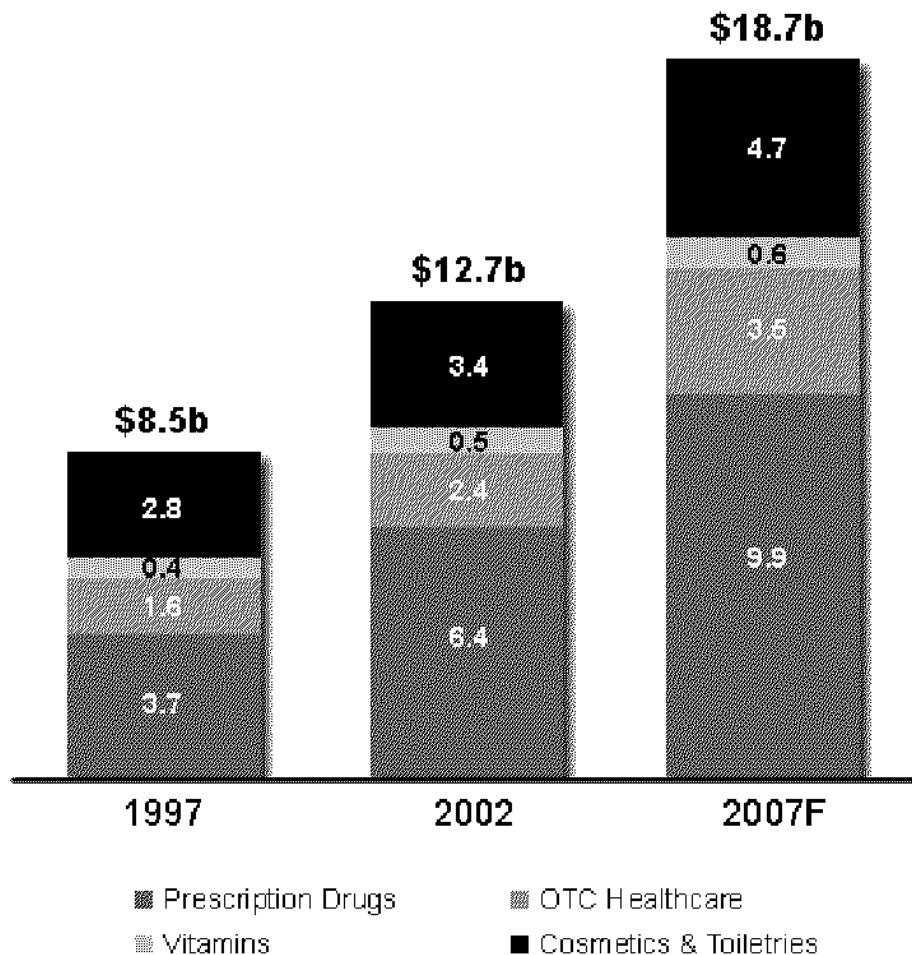
Business Overview (continued)

OUTLOOK (continued)

The Company's focus is to establish a business with a diversified health care offering that is clearly focused on target customer segments. The acquisitions of both DPAL and EpiPharm have accelerated the Company's growth plans. Importantly Genepharm now has an infrastructure and diversified business model that will enable the business to expand its product offering and accelerate the achievement of growth targets.

The Company views an extended product range as a competitive differentiator that can build stronger customer loyalty and provide earnings stability for the business. Genepharm's sales channel is strongly positioned to realise incremental earnings from the development of an extended range of healthcare products that will also deliver sales growth for Australian pharmacists.

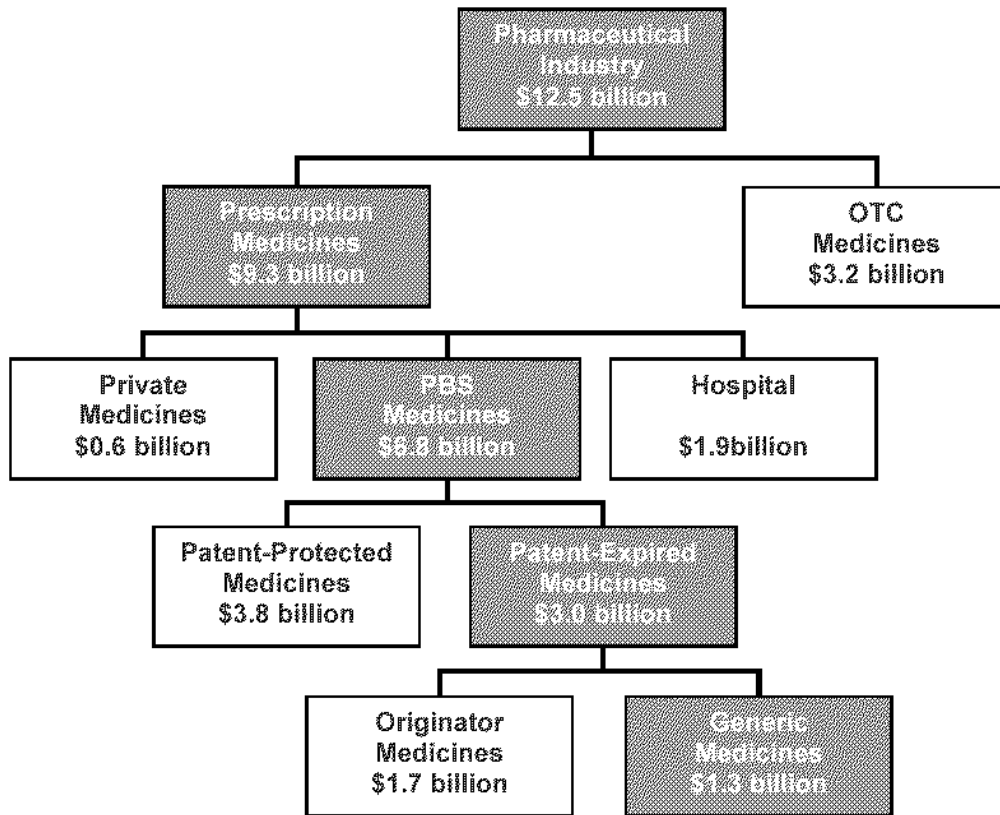
Australian Health & Cosmetic Sales: 1997 – 2007F
(A\$ billions)



Source: Genepharm Australasia estimates

Industry Overview

AUSTRALIAN PHARMACEUTICALS – MARKET SUMMARY 2006



Source: Genepharm Australasia estimates of Australian patient sales for the year ending June 2006

PBS GROWTH

PBS	Actual [^]					Estimate [*]				
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Dispensed Cost (\$millions)	\$4,552	\$4,993	\$5,433	\$5,928	\$6,346	\$6,780	\$7,076	\$7,506	\$8,040	\$8,613
Total Prescriptions (millions)	148	155	159	165	170	175	180	186	191	197
Concession Prescriptions (millions)	125	130	133	138	141	143	155	160	165	170

Source: [^]PBS Statistics, Department of Health and Ageing
^{*} Genepharm Australasia estimates

Industry Overview (continued)

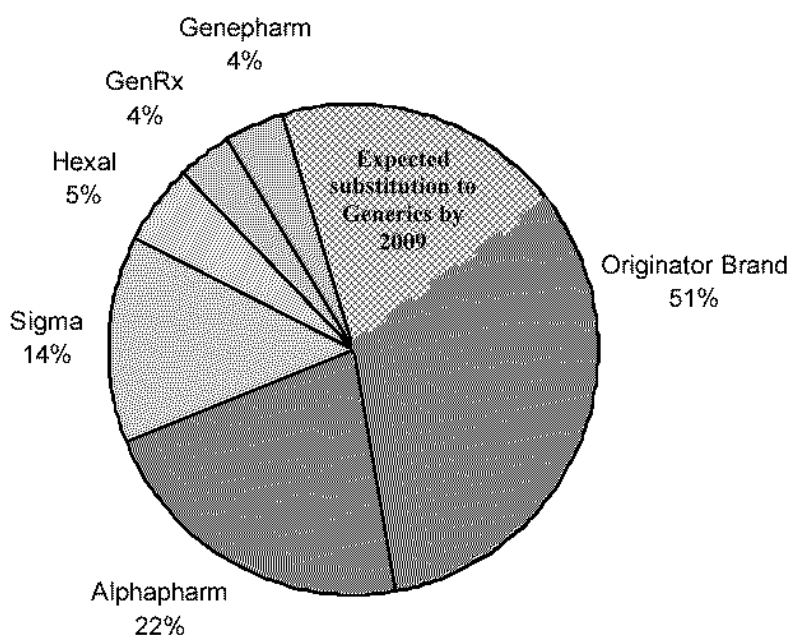
THE EMERGING GENERIC MARKETPLACE IN AUSTRALIA

Market Competition

There has been significant rationalisation in the Australian generic market in the last twelve - eighteen months driven by local and global merger activities. On a global scale Novartis acquired the Hexal generic pharmaceuticals business in February 2005. Hexal has been merged into the Sandoz generic arm of Novartis pharmaceuticals. Locally, Sigma acquired the Arrow Pharmaceuticals generic business in August 2005. Both acquisitions resulted in the consolidation of competitors in the prescription generics market sector. Along with the Company's acquisition of DPAL over 99% of the total market value for generic medicines is supplied by five companies: Genepharm, Alphapharm, GenRx, Hexal and Sigma.

Importantly, there is a significant incremental opportunity that still exists in the Australian market for generic substitution away from the originator brand of medicine. Industry figures estimate that sales of the originator brand still hold around half of all dispensed prescriptions for a drug once the patent has expired. The Company sees this as a vital area for growth and will be implementing programs to extract sales from this market segment. The alliance with Primary Health Care Limited announced on 19 September 2006 is a key platform for achieving this goal.

Patent Expired Prescription Medicines
Generic & Brand Market Shares, June 2006



Source: Genepharm Australasia estimates

The relatively small size of the Australian market, the strong regulatory regime, and small number of already well-established players are natural barriers to entry to other global players contemplating entering this market.

The Company expects that other global players will seek a presence in the Australian market via in-licensing strategies that include long term supply arrangements with existing market participants.

The Company's position as the only independent sales organisation has created a number of new partnership opportunities with global manufacturers to add unique product lines to the business.

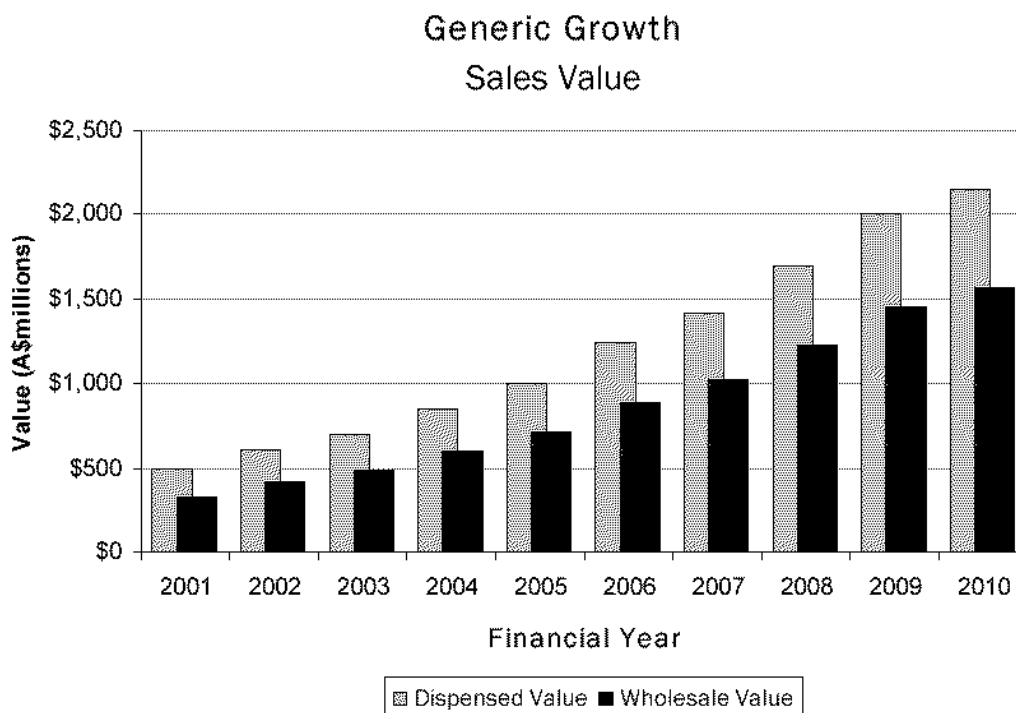
Industry Overview (continued)

THE EMERGING GENERIC MARKETPLACE IN AUSTRALIA (continued)

Market Growth

The use of generic pharmaceutical products will continue to grow with a compound annual growth rate of around 20% until the end of the decade. The total PBS is estimated to grow at around 7% per annum over the next few years which is slightly below the historical four year compound annual growth rate of 8%.

Around one in every four prescriptions presented to pharmacists in Australia were filled with generic medicines in 2005. This level of use will almost double in the next five years as more than half of the top 100 selling prescription medicines in Australia will come off patent and be substituted for generic branded drugs.



Source: Genepharm Australasia estimates

By 2009 over 200 generic drugs will account for a dispensed value of around \$2 billion. The top 10 generics will be responsible for 40% of this value (\$800m) and the top 40 generics will make up 85% (\$1.7 billion). This represents a significant shift in the current structure of the generic market for manufacturers and pharmacists. The patent expiry of leading high value drugs will drive increased competition at the small end of the pharmaceutical product range and also concentrate pharmacy generic activity and profitability.

Supporting the product growth are three underlying factors that will drive generic medicine substitution and compound the growth of generics from patent expiries. The Federal Government has signalled its intention to increase support for the use of generic medicines that is expected to underpin the Government's cost containment strategies for the Pharmaceutical Benefits Scheme (PBS); the ageing of the Australian population will increase the use of PBS funded medicines; and in the face of increased price competition in pharmacy 'front of shop' categories pharmacists see generics as a means by which they are able to protect and maintain the overall profitability of their business.

Industry Overview (continued)

GOVERNMENT INDUSTRY PARTICIPATION

The Australian Federal Government is playing an ever increasing role in the health sector. The impact for the business is seen through the operation of the PBS and the fourth Guild Government Agreement which directly impacts the well being of Genepharm's pharmacy customers.

The Pharmaceutical Benefits Scheme

The PBS scheme is recognised globally as a stand out model for the cost effective delivery of medicines to the Australian community. The continued steady growth in the cost of the scheme has seen the introduction of various measures to both slow the increase in cost base and in so doing ensure the long term sustainability of the program. Patients have felt the impact of recent government initiatives through and increase in the patient co-payment in 2005. At an industry level the 12.5% price reduction rule, introduced in 2005, has slowed substantially the price growth of products in therapeutic reference price groups where products have lost patent exclusivity.

It was reported earlier this year that a central plank of the Government's bid to cut the cost of the PBS is to promote the use of generic drugs that enter the market once a more expensive branded medicine comes off patent. Under this plan doctors will be required to prescribe the generic version of a therapy unless they can show there is a good clinical reason for choosing the branded drug. Against this significant opportunity for generic prescribing is an expected further price reduction program in the reimbursement price for generically available molecules.

Government is canvassing these and other options with all stakeholders across the industry. Genepharm is an active industry participant and will advocate strongly from an industry, customer, and shareholder perspective.

The Fourth Guild Government Agreement

Despite the Fourth Guild Government Agreement pharmacists still face ever-increasing competition from the major retail chains and other speciality health retailers in relation to key pharmacy 'front of shop' retail categories. Historically these categories have provided significant margins to pharmacies but as competitors have sharpened their competitive focus on these categories pharmacy sales volumes have dropped and pharmacy margins eroded. Consequently the pharmacy 'professional services area' and dispensary have become key volume and margin generation sales areas.

Genepharm has recognised this need to have a strong offer in these winning retail categories for pharmacy. As a partner, Genepharm is supporting our customers with a highly competitive quality generic offer in the dispensary and a broad range of branded health care products. These products are delivered to our customers in accordance with our strategy of mutual value creation by offering a unique opportunity to become shareholders and share in the Company's success.

Directors' Report

Your directors submit their report for the year ended 30 June 2006.

DIRECTORS

The names and details of the Company's directors in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Thomas J.R. O'Brien AM, B.Econ., B.Com. (Hons), FCA, FCPA, FAICD

(Independent non-executive Chairman)

Director and Chairman since April 2004. Mr O'Brien is also Chairman of the Audit Committee and the Remuneration Committee. Mr. O'Brien was Chief Executive Officer in Melbourne for the international accounting firm of Ernst and Young for 12 years and was also National Chairman of Ernst & Young Australia in 1995 and 1996. Mr. O'Brien currently serves on a number of boards, including Allans Music Group Pty Ltd and Virtual Communities Limited. He is currently Chairman of Church Resources, CCI Investment Management Limited, HLT Limited and Domaines Tatiarra Limited. He was formerly Chairman of St Vincents and Mercy Private Hospital Limited and a member of the Board of Mercy Health and Aged Care.

Dennis Bastas, B.E.

(Director and Chief Executive Officer)

Appointed Managing Director and CEO on formation of the Company in December 2003. Mr. Bastas was the founding force behind the initial strategy and creation of the Company. Mr. Bastas has extensive senior management experience in business development, retail services and supply chain management with companies, including Coles Myer Limited, Mannesmann AG and Village Roadshow Limited.

George Rogers (Kip) Harding, B.Com., M.Tax, CA

(Director and Chief Financial Officer)

Executive Director since the formation of the Company in 2003. Mr. Harding obtained his chartered accounting qualification while working with Touche Ross in Brisbane (now KPMG) and has worked in Australia and abroad in a variety of roles focused on the financial management of new products and new market strategies.

Achilles N. Vigopoulos, B.A.

(Non-Executive Director)

Director since the formation of the Company in 2003. Mr. Vigopoulos is the principal owner and Executive Chairman of the Genepharm Group. The son of the company's founder, Mr. Nicholas Vigopoulos, Mr Vigopoulos was the Chairman of Genepharm SA from 1999 to 2002 and has been the Chairman of Alvia SA, a Greek company specialising in the medical industry, since 1990. He also participates in several other businesses in Greece and around the globe.

Kenneth Lianeas, B.Sc. (Hons), MBA

(Non-Executive Director)

Mr. Lianeas acted as a non-executive director from June 2004 until his resignation from the Board on 27 February 2006.

COMPANY SECRETARY

Jo-Anne Dal Santo, B.Bus, ACIS

Ms Dal Santo was appointed Company Secretary on 17 May 2006. Prior to this position Ms Dal Santo held a variety of accounting and finance roles in private industry and is currently an associate of Chartered Secretaries Australia.

Directors' Report (continued)

Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of Genepharm Australasia Limited held directly or by director related entities were:

	Ordinary Shares	Options over Ordinary Shares
T.J.R. O'Brien	604,000	-
D. Bastas and G.R. Harding *	12,480,000	-
D. Bastas	-	1,800,000
G.R. Harding	-	1,500,000
A.N. Vigopoulos #	28,800,000	-

Indicates relevant interest shareholding via a director related entity.

* D. Bastas and G.R. Harding hold 12,480,000 shares via a director related entity and as such both have a relevant interest in the 12,480,000 shares.

Earnings per share	Cents
Basic (loss) per share	(7.3)
Diluted (loss) per share	(7.3)

Dividends

No dividend has been paid or recommended in the current period.

CORPORATE INFORMATION

Corporate Structure

Genepharm Australasia Limited is a company limited by shares that is incorporated and domiciled in Australia.

Nature of operations and principal activities

Genepharm Australasia Limited was listed on the Australian Stock Exchange on 10th June 2004. The principal activities of the Company during the course of the financial year were the development and market approval of generic pharmaceuticals for sale and distribution to retail pharmacies and hospitals in the Australian market.

There were no significant changes in the nature of those activities during the year.

The entity employed 17 employees at 30 June 2006 (2005: six employees)

REVIEW AND RESULTS OF OPERATIONS

Product Launch and Initial Sales

Genepharm listed three generic pharmaceutical products on the Pharmaceutical Benefits Scheme (PBS) on 1st April 2006. The three products included leading anti-cholesterol drug, Simvastatin along with generics of antibiotic Ciprofloxacin and leading anti-diabetes drug Metformin.

Initial gross sales of the three drugs for the June quarter were \$3.44 million.

Distribution of Genepharm's products to pharmacy customers across Australia was provided via pharmacy wholesale distributors; API, Symbion Health and Sigma.

Directors' Report (continued)

Sales and Marketing

Genepharm's direct sales campaign was launched in early 2006 to build product awareness and demand in pharmacy for product release in April 2006. The sales launch included incentive programs and key account strategies in order to build sustainable customer relationships and sales revenues.

Cancer Drug Approvals

The Company received TGA marketing approval for the first four of its anti-cancer drugs. The injectable drugs Carboplatin, Doxorubicin, Epirubicin and Mitozantrone are used by Australian hospitals in the treatment of cancers.

Acquisition of Douglas Pharmaceuticals Australia

In May 2006 the Company signed a conditional sale agreement with Douglas International Holdings Limited of New Zealand to acquire the company's Australian generic pharmaceuticals sales and distribution business, Douglas Pharmaceuticals Australia Limited. When completed, the \$70 million deal would see Genepharm take up a position as one of the top five suppliers of generic pharmaceuticals to Australian pharmacy.

Outlook

The strong market outlook for generic pharmaceuticals is continuing with compounded growth of over 20% per annum expected for the next three to five years. The market for generic pharmaceuticals is expected to grow to around \$1 billion in 2006 to over \$2 billion by 2009, a figure which includes the impact of cost saving measures announced by the federal government. The key growth drivers are the expirations of many of the top 100 PBS drugs between now and 2008; increasing government and public support for generic pharmaceuticals; and an ageing, more drug reliant population.

REVIEW OF FINANCIAL CONDITION

Financial Results

The company recorded a loss of \$5.60 million (2005: loss of \$4.56 million) which was better than market forecasts. After adding interest and deducting depreciation and amortisation the EBITDA result was a loss of \$3.57 million (2005: loss of \$2.71 million).

Cashflow Management

Cash management remained a core focus of the business with \$3.50 million (2005: \$1.18 million) of net cash outflows used in operating activities. After a share placement of \$11.41 million in June 2006 the company's cash position was \$14.99 million at 30 June 2006 (2005: \$8.47 million).

Management remains confident that the company has sufficient cash resources to meet the needs of the business in the next financial year.

RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be a part of this process, and as such the Board has not established a separate risk management committee. Instead sub-committees are convened as appropriate in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issue and reports back to the Board.

Directors' Report (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity increased to \$37.484 million from \$30.992 million, an increase of \$6.492 million. The movement was largely a result of a Placement of shares in late June 2006 as part of the capital raising to fund the acquisition of Douglas Pharmaceuticals Australia Limited (refer to the following note for further details) in addition to the operating loss for the year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 13th July 2006 the Company purchased Douglas Pharmaceuticals Australia Limited. The consideration consisted of \$55 million in cash at settlement and \$15 million in convertible notes first exercisable from July 2007. The acquisition was funded by a Placement of 11,412,000 shares (prior to the end of the financial year) and a Renounceable Rights Issue of 51,691,600 shares (subsequent to the end of the financial year).

On the 11th September 2006 the Company entered into a Heads of Agreement with Clinuvel Limited to acquire the Epipharm range of dermatology products. The \$1 million acquisition is expected to be finalised October 2006.

On the 19th September 2006 the Company formed a strategic alliance with Primary Health Care Limited (Primary). The alliance will facilitate the promotion of Genepharm products by pharmacies in Primary Group medical centres. Subject to shareholder approval and certain performance criteria being met by Primary, the Company will grant to Primary up to 3 million share options over 2007 and 2008.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors are hopeful that the 2007 financial year will see a significant increase in sales with the addition of the Douglas Pharmaceuticals Australia Limited product portfolio and the expected introduction of new pharmaceutical products.

SHARE OPTIONS

As at the date of this report, there were 6,218,282 unissued ordinary shares under options. Refer to note 13 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or in the interest issue of any other registered scheme.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has made an agreement to indemnify all the directors and executive officers for any breach of environmental or discrimination laws by the company, for which they may be held personally liable. The agreement provides for the company to pay an amount not exceeding \$5,000,000 where:

- (a) the liability does not arise out of conduct involving a lack of good faith; or
- (b) the liability is for costs and expenses incurred by the director or officer in defending proceedings in which judgment is given in their favour or in which they are acquitted.

Directors' Report (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS (continued)

During the financial period, the company has paid premiums in respect of a contract insuring all the directors of Genepharm Australasia Ltd against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001. The total amount of insurance contract premiums paid was \$39,392.

REMUNERATION REPORT (AUDITED)

Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives.

To this end, the company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- Significant portion of executive remuneration 'at risk', dependent upon meeting pre-determined performance benchmarks
- Establish appropriate, demanding performance hurdles in relation to variable executive remuneration

Remuneration committee

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director remuneration

Objective

The board seeks to set aggregate remuneration at a level which provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held in May 2004 when shareholders approved an aggregate remuneration of \$150,000 per year.

Non-executive directors are encouraged by the board to hold shares in the company (purchased by the directors on market). It is considered good governance for directors to have a stake in the company on whose board he or she sits.

The remuneration of non-executive directors for the period ending 30 June 2006 is detailed on page 22 of this report.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Senior manager and executive director remuneration

Objective

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- reward executives for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee considers market levels of remuneration for comparable executive roles and makes recommendations to the Board.

It is the Remuneration Committee's policy that employment contracts are entered into with all senior managers and executive directors.

Remuneration consists of the following key elements

- Fixed remuneration
- Variable remuneration
 - o Short Term Incentive ('STI'); and
 - o Long Term Incentive ('LTI')

The proportion of fixed remuneration and variable remuneration (potential short term and long term incentives) is established for each senior manager by the Remuneration Committee. The remuneration of senior managers and executive directors is detailed on page 22 of this report.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal advice on policies and practices.

Structure

Executive Directors and senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company. The fixed remuneration component of senior managers is detailed on page 22 of this report.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

Variable Remuneration – Short Term Incentive (STI)

Objective

The objective of the STI programme is to link the achievement of the company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential STI available is set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive and senior manager depend on the extent to which specific operating targets set at the beginning of the financial year are met. The operational targets consist of a number of Key Performance Indicators (KPI's) covering both financial and non-financial measures of performance. Typically included are measures such as contribution to net profit after tax, drug registrations achieved and successful launch of drugs into the market. The company has predetermined benchmarks which must be met in order to trigger payments under the STI scheme.

On an annual basis, after consideration of performance against KPI's, an overall performance rating is approved by the Remuneration Committee. Payments are usually delivered as a cash bonus.

Variable Remuneration – Long Term Incentive (LTI)

Objective

The objective of the LTI plan is to reward executives and senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth. As such LTI grants are made to executives and senior managers who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance against the relevant long term performance hurdle.

Structure

LTI grants to executives and senior managers are delivered in the form of options. Details of options granted, the value of options, vesting periods and lapsed options under the LTI plan are detailed on page 23 of this report.

Company performance

The rewards and remuneration of management are reflective of company performance. Company performance is evaluated with reference to the commencement of sales and marketing activities, the management of operational cashflows and, in the current circumstances, the successful negotiations of the acquisition of Douglas Pharmaceuticals Australia Limited.

Employment Contracts

The CEO, Mr. Bastas, is employed under contract. The employment contract commenced on 1 March 2004. Under the terms of the contract:

- Mr. Bastas may resign from his position and thus terminate this contract by giving three month's written notice. On resignation any options will be forfeited.
- The company may terminate the employment agreement by providing 12 months written notice or provide payment in lieu of some or all of the notice period (based on the fixed component of Mr. Bastas' remuneration). On termination notice by the company any LTI options that have vested or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Bastas is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

The CFO, Mr. Harding, is employed under contract. The employment contract commenced on 1 March 2004. Under the terms of the contract:

- Mr. Harding may resign from his position and thus terminate this contract by giving three month's written notice. On resignation any options will be forfeited.
- The company may terminate the employment agreement by providing 12 months written notice or provide payment in lieu of some or all of the notice period (based on the fixed component of Mr. Harding's remuneration). On termination notice by the company any LTI options that have vested or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Harding is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

The Sales and Marketing manager, Mr. Jeffs, is employed under contract. The employment contract commenced on 1 October 2004. Under the terms of the contract:

- Mr. Jeffs may resign from his position and thus terminate this contract by giving one month's written notice. On resignation any options will be forfeited.
- The company may terminate the employment agreement by providing six months' written notice (in the first year of employment) or three months written notice (after the first year of employment) or provide payment in lieu of some or all of the notice period (based on the fixed component of Mr. Jeffs' remuneration). On termination notice by the company any LTI options that have vested or will vest during the notice period will be released. LTI options that have not yet vested will be forfeited.
- The company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, Mr. Jeffs is only entitled to that portion of remuneration which is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

DIRECTOR AND NAMED EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

T.J.R. O'Brien	Chairman (non-executive)
D. Bastas	Director and Chief Executive Officer
G.R. Harding	Director and Chief Financial Officer
A.N. Vigopoulos	Director (non-executive)
K. Lianas	Director (non-executive) (<i>resigned 27 February 2006</i>)

(ii) Named Executives

K. Jeffs	Sales and Marketing Manager
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There were no other changes of key management personnel between the reporting date and the date the financial report was authorised for issue.

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

(b) Remuneration of key management personnel (KMP)

Compensation of key management personnel

Directors		<u>Short-term</u>		<u>Post</u>	<u>Share</u>	<u>Total</u>
		<u>Salary</u>	<u>Bonuses</u>	<u>Employment</u>	<u>Based</u>	
				<u>Super-</u>	<u>Options</u>	
<u>& Fees</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
T.J.R. O'Brien	2006	90,600	-	8,100	-	98,700
	2005	81,600	-	7,290	-	88,890
D. Bastas	2006	321,298	90,000	20,600	169,705	601,603
	2005	240,000	41,400	20,700	321,017	623,117
G.R. Harding	2006	262,405	72,000	28,080	141,421	503,906
	2005	150,000	27,000	13,500	267,514	458,014
A.N. Vigopoulos	2006	-	-	-	-	-
	2005	-	-	-	-	-
K. Lianas (resigned 27 February 2006)	2006	18,667	-	1,680	-	20,347
	2005	28,000	-	2,520	-	30,520
Totals	2006	692,970	162,000	58,460	311,126	1,224,556
	2005	499,600	68,400	44,010	588,531	1,200,541

D. Bastas and G.R. Harding are executive officers of the company in addition to being directors.

Named Executives

Named Executives		<u>Short-term</u>		<u>Post</u>	<u>Share</u>	<u>Total</u>
		<u>Salary</u>	<u>Bonuses</u>	<u>Employment</u>	<u>Based</u>	
				<u>Super-</u>	<u>Options</u>	
<u>& Fees</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
K. Jeffs	2006	183,485	-	21,914	288,773	554,172
	2005	137,615	-	12,385	205,536	355,536

Directors' Report (continued)

REMUNERATION REPORT (AUDITED) (continued)

(c) Remuneration options: Granted and vested during the year to key management personnel

During the financial year no new options were granted to key management personnel as equity under the Senior Manager Share Option Plan. Details of vesting options granted in prior financial years are detailed below.

	Vested No.	Granted No.	Terms & Conditions for each Grant			
			Grant Date	Value per option at grant date (\$)	Exercise price per share (\$)	Expiry Date
2006						
Directors						
D. Bastas	600,000	-	-	-	-	-
G.R. Harding	500,000	-	-	-	-	-
Named Executives						
K. Jeffs	350,000	-	-	-	-	-
Total	<u>1,450,000</u>	<u>-</u>	-	-	-	-
2005						
Directors						
D. Bastas	600,000	1,800,000	18-Jan-2005	0.29	1.20 - 2.00	28-Feb-2010
G.R. Harding	500,000	1,500,000	18-Jan-2005	0.29	1.20 - 2.00	28-Feb-2010
Named Executives						
K. Jeffs	-	1,050,000	18-Jan-2005	0.58	0.75 - 1.50	1-Dec-2010
Total	<u>1,100,000</u>	<u>4,350,000</u>				

Directors' Report (continued)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the period and the number of meetings attended by each director was as follows:

	Directors' Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Number of meetings held:	7	0	2
Number of meetings attended:			
T.J.R. O'Brien	7	-	2
D. Bastas	7	-	1
G.R. Harding	7	-	-
A.N. Vigopoulos	5	-	-
K. Lianneas	3	-	1

Committee membership

As at the date of this report, the company had an Audit Committee and a Remuneration Committee of the board of directors.

Members acting on the committees of the board during the period were:

Audit	Remuneration
T.J.R. O'Brien (c)	T.J.R. O'Brien (c)
K. Lianneas	K. Lianneas (<i>resigned 27 February 2006</i>)
	D. Bastas

Notes

(c) Designates the chairman of the committee.

AUDITOR INDEPENDENCE

The directors received the attached audit independence declaration from the auditor of Genepharm Australasia Limited, refer to page 25.

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Ernst and Young.

Signed in accordance with a resolution of the directors.



D. Bastas
Director

Melbourne 28 September 2006

**Auditor's Independence Declaration to the Directors of
Genepharm Australasia Ltd**

In relation to our audit of the financial report of Genepharm Australasia Ltd for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young



David Petersen
Partner
28 September 2006

Corporate Governance Statement

The Board of Directors of Genepharm Australasia Limited is responsible for the corporate governance of the entity. The Board guides and monitors the business and affairs of Genepharm Australasia Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council's) "Principles of Good Corporate Governance and Best Practice Recommendations" (the Recommendations). In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. Genepharm Australasia Limited's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- | | |
|---------------|--|
| Principle 1. | Lay solid foundations for management and oversight |
| Principle 2. | Structure the board to add value |
| Principle 3. | Promote ethical and responsible decision making |
| Principle 4. | Safeguard integrity in financial reporting |
| Principle 5. | Make timely and balanced disclosure |
| Principle 6. | Respect the rights of shareholders |
| Principle 7. | Recognise and manage risk |
| Principle 8. | Encourage enhanced performance |
| Principle 9. | Remunerate fairly and responsibly |
| Principle 10. | Recognise the legitimate interests of stakeholders |

Genepharm Australasia Limited's corporate governance practices were in place throughout the year ended 30 June 2006 with the exception of Principle 2 which recommends that the board be comprised of a majority of independent directors. Of the five board members in total, three directors are not considered to be independent when applying the Council's definition of independence. Therefore the majority of the board is not independent. Genepharm Australasia Limited considers industry experience and specific expertise to be important attributes of its board members.

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 14. Directors of Genepharm Australasia Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

In the context of director independence, "materiality" is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the company's loyalty.

Corporate Governance Statement (continued)

Structure of the Board (continued)

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Genepharma Australasia Limited are considered to be independent:

Name	Position
T.J.R. O'Brien	Non-Executive Chairman

There are procedures in place, agreed by the board, to enable directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Genepharma Australasia Limited are considered not to be independent:

Name	Position
D. Bastas	Director and Chief Executive Officer
G.R. Harding	Director and Chief Financial Officer
A. N. Vigopoulos	Director

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
T.J.R. O'Brien	Since 6 April 2004
D. Bastas	Since 10 December 2003
G.R. Harding	Since 10 December 2003
A. N. Vigopoulos	Since 10 December 2003
K. Lianas	Since 10 December 2003. Resigned 27 February 2006

For additional details regarding board appointments, please refer to our website.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the period were:

T.J.R O'Brien (Chairman)

For details on the number of meetings of the audit committee held during the period and the attendees at those meetings, refer to the Directors' Report.

Corporate Governance Statement (continued)

Remuneration Committee

The Board has established a Remuneration Committee, which operates under a charter approved by the Board. The purpose of the committee is to provide the board of directors of the Company with advice and recommendations which enable the Board to:

- (1) set in place remuneration policies which are designed to attract and retain senior managers and directors with the expertise to enhance the performance and growth of the Company; and
- (2) ensure that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, display a clear relationship between the performance of the individual and the performance of the Company.

The members of the Remuneration Committee during the period were:

- T.J.R. O'Brien (Chairman)
- K. Lianneas
- D. Bastas

For details on the number of meetings of the remuneration committee held during the period and the attendees at those meetings, refer to the Directors' Report.

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Revenue			
Net sales of goods		1,795	-
Finance revenue	4(a)	409	567
Total net revenue		<u>2,204</u>	<u>567</u>
Cost of sales		(1,023)	-
Gross profit		<u>1,181</u>	<u>567</u>
Depreciation and amortisation	4(c)	(2,445)	(2,421)
Employment costs		(1,964)	(925)
Equity-settled share-based payments	16	(847)	(889)
Other expenses	4(b)	<u>(1,526)</u>	<u>(894)</u>
Loss before income tax expense		(5,601)	(4,562)
Income tax expense	5	-	-
Loss after tax		<u>(5,601)</u>	<u>(4,562)</u>
Earnings per share (cents per share)			
- basic for loss for the year	6	(7.3)	(6.0)
- diluted for loss for the year	6	(7.3)	(6.0)

Balance Sheet

AS AT 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	14,989	8,472
Trade and other receivables	8	1,460	61
Inventories	9	1,870	-
Other	10	1,010	65
TOTAL CURRENT ASSETS		19,329	8,598
NON-CURRENT ASSETS			
Property, plant and equipment	11	278	119
Intangible assets	12	21,175	22,514
TOTAL NON-CURRENT ASSETS		21,453	22,633
TOTAL ASSETS		40,782	31,231
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	3,143	210
Provisions	15	155	29
TOTAL CURRENT LIABILITES		3,298	239
TOTAL LIABILITIES		3,298	239
NET ASSETS		37,484	30,992
EQUITY			
Contributed equity	16	46,896	35,650
Retained earnings		(11,148)	(5,547)
Other reserves	16	1,736	889
TOTAL EQUITY		37,484	30,992

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$'000	2005 \$'000
Cash flows from operating activities			
Receipts from customers		571	-
Payments to suppliers and employees		(4,465)	(1,741)
Interest received		389	566
Net cash flows used in operating activities	7	<u>(3,505)</u>	<u>(1,175)</u>
Cash flows from investing activities			
Purchase of plant and equipment		(185)	(46)
Payments for intangible assets		(1,080)	(1,009)
Costs associated with the acquisition of a business		(109)	-
Net cash flows used in investing activities		<u>(1,374)</u>	<u>(1,055)</u>
Cash flows from financing activities			
Proceeds from placement of shares	16	11,412	-
Transaction costs from issue of shares		(16)	(14)
Net cash flows from/(used in) financing activities		<u>11,396</u>	<u>(14)</u>
Net increase/(decrease) in cash and cash equivalents		6,517	(2,244)
Cash and cash equivalents at beginning of period		8,472	10,716
Cash and cash equivalents at end of period	7	<u>14,989</u>	<u>8,472</u>

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2006

	Issued capital \$'000	Retained earnings \$'000	Other Reserves \$'000	Total \$'000
At 1 July 2004	35,664	(985)	-	34,679
Share issue costs	(14)	-	-	(14)
Loss for the year	-	(4,562)	-	(4,562)
Total recognised income and expense for the period	(14)	(4,562)	-	(4,576)
Share-based payments	-	-	889	889
At 30 June 2005	35,650	(5,547)	889	30,992
Share issue costs	(166)	-	-	(166)
Loss for the year	-	(5,601)	-	(5,601)
Total recognised income and expense for the period	(166)	(5,601)	-	(5,767)
Share-based payments	-	-	847	847
Issue of share capital (note 16)	11,412	-	-	11,412
At 30 June 2006	46,896	(11,148)	1,736	37,484

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

1 CORPORATE INFORMATION

The financial report of Genepharm Australasia Limited for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 28 September 2006.

Genepharm Australasia Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Company are described in note 3.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared in accordance with the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

This is the first annual financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report are detailed in Note 2 (t) below.

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ended 30 June 2006. The directors' have assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations as noted in the following table. The amended standards noted below are relevant to the Company. Other amendments are deemed not applicable.

Australian Accounting Standards recently issued or amended but not yet effective

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company
2005-1	AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06
2005-4	AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , and AASB 1 <i>First-time adoption of AIFRS</i> .	Impact has not yet been determined	1-Jan-06	1-Jul-06
2005-5	AASB 1 <i>First-time adoption of AIFRS</i> and AASB 139 <i>Financial Instruments: Recognition and Measurement</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

AASB Amendment	Affected Standard (s)	Nature of change to accounting policy	Application date of standard	Application date for Company
2005-6	AASB 3 <i>Business Combinations</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06
2005-9	AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> and AASB 132 <i>Financial Instruments: Disclosure and Presentation</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06
2005-10	AASB 132 <i>Financial Instruments: Disclosure and Presentation</i> , AASB 101 <i>Presentation of Financial Statements</i> , AASB 114 <i>Segment Reporting</i> , AASB 117 <i>Leases</i> , AASB 133 <i>Earnings per Share</i> , AASB 139 <i>Financial Instruments: Recognition and Measurement</i> , AASB 1 <i>First-time adoption of AIFRS</i> , AASB 4 <i>Insurance Contracts</i> , AASB 1023 <i>General insurance Contracts</i> and AASB 1038 <i>Life Insurance Contracts</i>	Impact has not yet been determined	1-Jan-07	1-Jul-07
2006-1	AASB 121 <i>The Effects of Change in Foreign Currency Rates</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06
	AASB 7 <i>Financial Instruments: Disclosures</i>	Impact has not yet been determined	1-Jan-07	1-Jul-07
	UIG 4 <i>Determining whether an Arrangement contains a Lease</i>	Impact has not yet been determined	1-Jan-06	1-Jul-06

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, using the assumptions detailed in note 13.

(d) Foreign currency translation

Both the functional and presentation currency of Genepharma Australasia Limited is Australian dollars (\$).

Transactions in foreign currencies are converted to Australian dollars at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date are translated using the spot rate at the balance sheet date. All exchange differences are taken to profit or loss.

(e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash includes cash and cash equivalents as defined above.

(f) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value is the estimated net selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Costs are assigned to inventories using a weighted average cost methodology.

(h) Property, plant and equipment

Cost and depreciation

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold Improvements - over 4 years
Plant and equipment – over 3 to 13 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated, when events or changes in circumstances indicate the carrying value may be impaired.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Impairment losses are recognised in the income statement.

(i) Intangible assets

Acquired separately

Intangible assets acquired separately are capitalised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of these intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The Company does not currently have any intangible assets with indefinite useful lives.

Where amortisation is charged on assets with finite accounting lives the expense is taken to the income statement.

Distribution Agreement and Distribution Rights

Distribution agreement and distribution rights are carried at cost and amortised on a straight-line basis over their useful lives, being 10 years.

Dossier Costs

An intangible asset arising from development expenditure is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Dossier costs are carried at cost and amortised on a straight-line basis over their useful lives, being from two to five years commencing from the time future benefits are first realised. External costs incurred for which no future benefit is reasonably assured, are expensed as incurred.

The carrying value of dossier costs is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(m) Share-based payment transactions

(i) Senior Manager Share Option Plan (SMSOP)

A senior manager share option plan has been established whereby the Company may, at the discretion of the Board of Directors, grant options over the ordinary shares of the Company to executive directors, executives and certain members of staff.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 13.

In valuing equity-settled transactions, no account is taken of any vesting conditions, given only service conditions are applied.

(ii) Pharmacy Loyalty Programme Share Options Plan

A pharmacy loyalty programme share option plan has been established where Genepharma Australasia Limited may, at the discretion of the Board of Directors, grant options over the ordinary shares of Genepharma Australasia Limited to Eligible Participants.

The cost of these equity-settled transactions with Eligible Participants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 13.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Share-based payment transactions (continued)

(iii) Advisory Board Share Option Scheme

On 15 November 2004 options were issued over ordinary shares.

The cost of these equity-settled transactions was measured by reference to the fair value at the date at which they were granted. The fair value was determined by an external valuer using a binomial model, further details of which are given in note 13.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period from grant date to the date on which the full entitlement to the award occurs ('vesting date').

The cumulative expense recognised for at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date.

No expense is recognised for equity-settled transactions that do not ultimately vest.

Where the terms of an equity-settled transaction are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled transaction is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity-settled transaction is substituted for the cancelled transaction, and designated as a replacement transaction on the date that it is granted, the cancelled and new transactions are treated as if they were a modification of the original transaction, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 6).

The Company has applied the requirements of AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' in respect of equity-settled transactions and has applied AASB 2 'Share-Based Payments' only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

(n) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(p) Income taxes

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") are illustrated below.

(i) Reconciliation of total equity as presented under previous AGAAP to that under AIFRS

	30-Jun-05 \$'000	1-Jul-04 \$'000
Total equity under previous AGAAP	30,992	34,679
<i>Adjustments to retained earnings (net of tax):</i>		
Recognition of share-based expense (A)	(889)	-
<i>Adjustments to other reserves (net of tax):</i>		
Recognition of share-based expense (A)	889	-
Total equity under AIFRS	<u>30,992</u>	<u>34,679</u>

(A) Under AASB2 *Share Based Payments*, the Company would recognise the fair value of options granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. Share based payment costs are not recognised under AGAAP.

(B) No tax effect was noted from the above adjustments.

(ii) Reconciliation of profit after tax under previous AGAAP to that under AIFRS

	30-Jun-05 \$'000
Prior year profit before tax as previously reported	(3,673)
Share-based payment expense (A)	(889)
Prior year profit before tax under AIFRS	<u>(4,562)</u>

(A) Share-based payment costs are charged to the income statement under AASB 2 'Share-based Payment', but not under AGAAP.

(B) No tax effect was noted from the above adjustments.

(iii) Explanation of material adjustments to the cashflow statements

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous AGAAP.

3 SEGMENT INFORMATION

The Company predominately operates in one business segment, selling specialist generic pharmaceutical products. These activities are conducted entirely in Australia.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
4 REVENUES AND EXPENSES		
(a) Finance revenue		
Bank interest received	409	567
(b) Other expenses		
Advertising and marketing	123	41
Occupancy costs	111	102
Operating lease expense	153	114
Professional and consulting fees	342	341
Travel expenses	261	153
All other expenses	536	143
	<u>1,526</u>	<u>894</u>
(c) Depreciation, amortisation, foreign exchange differences and costs of inventories included in income statement		
Included in cost of sales:		
Costs of inventories	743	-
Net foreign exchange differences	43	-
Depreciation of fixed assets	26	17
Amortisation of distribution agreement	2,404	2,404
Amortisation of dossier costs	15	-
Total depreciation and amortisation	<u>2,445</u>	<u>2,421</u>
(d) Employee benefits expense		
Wages and salaries	1,804	831
Workers' compensation costs	15	19
Superannuation costs	144	75
Expense of share-based payments	755	875
	<u>2,718</u>	<u>1,800</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
5 INCOME TAX		
Major components of income tax expense for the years ended 30 June 2006 and 2005 are:		
Income Statement		
<i>Current income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in income statement	-	-
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 30 June 2006 and 2005 is as follows:		
Accounting profit before income tax	(5,601)	(4,562)
At the statutory income tax rate of 30% (2005: 30%)	(1,680)	(1,369)
Amortisation of distribution agreement	721	721
Amortisation of dossier costs	4	-
Equity based benefits	254	267
Expenditure not allowable for income tax purposes	15	4
At effective income tax rate of 0% (2005: 0%)	(686)	(377)
Future income tax benefits not recognised	686	377
Income tax expense reported in income statement	-	-

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
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5 INCOME TAX (continued)

Deferred income tax assets and liabilities

The Company has a net Deferred Tax Asset arising from available tax losses (calculated at 30%)

1,388	968
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The recoupment of available tax losses as at 30 June 2006 is contingent upon the following:

- (a) the Company deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- (b) the conditions for deductibility imposed by tax legislation continuing to be complied with; and
- (c) there being no changes in tax legislation which would adversely affect the Company from realising the benefit from the losses.

Given the Company's and each individual entities history of recent losses, the Group has not recognised a deferred tax asset with regard to unused tax losses and other temporary differences, as it has not been determined whether the Company or its subsidiaries will generate sufficient taxable income against which the unused tax losses and other temporary differences can be utilised.

6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

Net loss	(5,601)	(4,562)
Earnings used in calculating basic and diluted loss per share	(5,601)	(4,562)
	Thousands	Thousands
Weighted average number of ordinary shares for basic loss and diluted loss per share	76,799	76,080

The Company has 6,218,282 options (2005: 5,400,000) outstanding at 30 June 2006 that could potentially dilute basic earnings per share in the future, however were not included in the calculation of diluted earnings per share because they are anti-dilutive for the years presented due the Company's net loss position.

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
7 CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	289	472
Short-term deposits	14,700	8,000
	<u>14,989</u>	<u>8,472</u>
Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.		
Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.		
Reconciliation from the net loss after tax to the net cash flows from operating activities		
Net loss	(5,601)	(4,562)
<i>Adjustments for:</i>		
Depreciation	26	16
Amortisation	2,419	2,404
Share options expensed	847	889
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(1,403)	-
(Increase)/decrease in inventories	(1,870)	-
(Increase)/decrease in other assets	(982)	(34)
(Decrease)/increase in trade and other payables	2,375	2
(Decrease)/increase in other creditors and accrued expenses	559	90
(Decrease)/increase in provisions	125	20
Net cash used in operating activities	<u>(3,505)</u>	<u>(1,175)</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
8 TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	1,403	-
	1,403	-
Related party receivables:		
- Other related parties	24	61
Accrued Income	19	-
Other receivables	14	-
	<u>1,460</u>	<u>61</u>
(i) Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.		
(ii) For terms and conditions relating to related party receivables refer to note 22.		
9 INVENTORIES		
Finished goods at cost	1,836	-
Finished goods in transit at cost	34	-
	<u>1,870</u>	<u>-</u>
10 OTHER CURRENT ASSETS		
Deposits	30	24
Prepayments	182	39
Deferred acquisition costs	796	-
Withholding tax	2	2
	<u>1,010</u>	<u>65</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000	Leasehold improvements \$'000	Total \$'000
Year ended 30 June 2006			
At 1 July 2005, net of accumulated depreciation	70	49	119
Additions	148	37	185
Depreciation and amortisation charge for the year	(20)	(6)	(26)
At 30 June 2006, net of accumulated depreciation	198	80	278
At 1 July 2005			
Cost	82	54	136
Accumulated depreciation and amortisation	(12)	(5)	(17)
Net carrying amount	70	49	119
At 30 June 2006			
Cost	230	91	321
Accumulated depreciation and amortisation	(32)	(11)	(43)
Net carrying amount	198	80	278
Year ended 30 June 2005			
At 1 July 2004, net of accumulated depreciation	39	50	89
Additions	42	4	46
Depreciation and amortisation charge for the year	(11)	(5)	(16)
At 30 June 2005, net of accumulated depreciation	70	49	119
At 1 July 2004			
Cost	40	50	90
Accumulated depreciation and amortisation	(1)	-	(1)
Net carrying amount	39	50	89
At 30 June 2005			
Cost	82	54	136
Accumulated depreciation and amortisation	(12)	(5)	(17)
Net carrying amount	70	49	119

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

12 INTANGIBLE ASSETS

	Distribution Agreement and Distribution Rights	Dossier Costs	Total
	\$'000	\$'000	\$'000
Year ended 30 June 2006			
At 1 July 2005, net of accumulated amortisation	21,505	1,009	22,514
Additions	-	1,080	1,080
Amortisation	(2,404)	(15)	(2,419)
At 30 June 2006, net of accumulated amortisation	19,101	2,074	21,175
At 1 July 2005			
Cost (gross carrying amount)	24,041	1,009	25,050
Accumulated amortisation	(2,536)	-	(2,536)
Net carrying amount	21,505	1,009	22,514
At 30 June 2006			
Cost (gross carrying amount)	24,041	2,089	26,130
Accumulated amortisation	(4,940)	(15)	(4,955)
Net carrying amount	19,101	2,074	21,175
<i>Impairment</i>			
As at 30 June 2006 the assets have been tested for impairment. No impairment losses were charged for the year ended 30 June 2006.			
Year ended 30 June 2005			
At 1 July 2004, net of accumulated amortisation	23,909	-	23,909
Additions	-	1,009	1,009
Amortisation	(2,404)	-	(2,404)
At 30 June 2005, net of accumulated amortisation	21,505	1,009	22,514
At 1 July 2004			
Cost (gross carrying amount)	24,041	-	24,041
Accumulated amortisation	(132)	-	(132)
Net carrying amount	23,909	-	23,909
At 30 June 2005			
Cost (gross carrying amount)	24,041	1,009	25,050
Accumulated amortisation	(2,536)	-	(2,536)
Net carrying amount	21,505	1,009	22,514

Notes to the Financial Statements

(continued)

FOR THE YEAR ENDED 30 JUNE 2006

13 SHARE BASED PAYMENT PLANS

(a) Senior Manager Share Option Plan (SMSOP)

A senior manager share option plan has been established where Genepharma Australasia Limited may, at the discretion of the Board of Directors, grant options over the ordinary shares of Genepharma Australasia Limited to executive directors, senior managers and certain members of staff. The options, issued for nil consideration, are granted in accordance with guidelines established by the directors of Genepharma Australasia Limited. The options are issued for a term of three years and are exercisable at varying dates. The options cannot be transferred and will not be quoted on the ASX.

The following table illustrates the number (No.) , weighted average exercise price (WAEP) of, weighted average fair value (WAFV) of and movements in share options issued during the year.

	2006			2005		
	No.	WAEP	WAFV	No.	WAEP	WAFV
Balance at beginning of year	5,000,000	1.46	0.36	-	-	-
- granted	970,000	1.60	0.18	5,000,000	1.46	0.36
Balance at end of year	<u>5,970,000</u>	1.49	0.33	<u>5,000,000</u>	1.46	0.36
Exercisable at end of year	<u>2,766,667</u>	1.26	0.40	<u>1,100,000</u>	1.20	0.37

The fair values of the options issued under SMSOP are estimated at the date of grant using the Binomial Valuation Method. The following table gives the assumptions made in determining fair value of options granted during the years ending 30 June 2006 and 2005.

	2006	2005
Dividend per share (cents)	3.05 - 5.50	-
Expected volatility (%)	37.5%	30.0%
Risk free interest rate (%)	5.25%	5.21%
Expected life of options (years)	2.3 - 4.7	1.6 - 4.3
Option exercise price (\$)	\$1.06 - \$2.00	\$1.00 - \$2.00
Share price at grant date (\$)	\$0.89 - \$1.41	\$1.39

When calculating the expected life of the options it is assumed the options will be exercised at the mid-point between vesting date and the expiry date.

The expected volatility rates used reflect the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Other than the assumptions outlined above no other features of the options granted were incorporated into the measurement of fair value

During the year ended 30 June 2006 no options were exercised over ordinary shares.

The weighted average contractual life for the share options outstanding as at 30 June 2006 is 4.38 years (2005: 4.27 years).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

13 SHARE BASED PAYMENT PLANS (continued)

(b) Pharmacy Loyalty Programme Share Option Plan

A pharmacy loyalty programme share option plan has been established where Genepharm Australasia Limited may, at the discretion of the Board of Directors, grant options over the ordinary shares of Genepharm Australasia Limited to Eligible Participants. The options are issued for a term of three years and are exercisable at varying dates. The options cannot be transferred and will not be quoted on the ASX.

The following table illustrates the number (No.) and weighted average exercise price (WAEP) of and movements in share options issued during the year.

	No.	<u>2006</u> WAEP	WAFV	No.	<u>2005</u> WAEP	WAFV
Balance at beginning of year	-	-	-	-	-	-
- granted	148,282	0.50	0.61	-	-	-
Balance at end of year	148,282	0.50	0.61	-	-	-
Exercisable at end of year	-	-	-	-	-	-

The fair value of the options issued to Eligible Participants cannot be estimated reliably given the difficulty in valuing the fair value of the loyalty. Therefore the fair values of the options issued under the plan are estimated at the date of grant using the Binomial Valuation Method. The following table gives the assumptions made in determining fair value of options granted during the years ending 30 June 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Dividend per share (cents)	3.05 - 5.50	-
Expected volatility (%)	37.5%	-
Risk free interest rate (%)	5.795%	-
Expected life of options (years)	1.5	-
Option exercise price (\$)	\$0.50	-
Share price at grant date (\$)	\$1.07	-

When calculating the expected life of the options it is assumed the options will be exercised at the mid-point between vesting date and the expiry date.

The expected volatility rates used reflect the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Other than the assumptions outlined above no other features of the options granted were incorporated into the measurement of fair value

During the year ended 30 June 2006 no options were exercised over ordinary shares.

The weighted average contractual life for the share options outstanding as at 30 June 2006 is 1.60 years (2005: nil years).

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

13 SHARE BASED PAYMENT PLANS (continued)

(c) Advisory Board Share Option Scheme

On 15 November 2004 options were granted over ordinary shares, vesting on 1 December 2005 and exercisable up to 1 December 2008. At the end of the year there were 100,000 unissued ordinary shares in respect of which options were outstanding under this scheme.

The following table illustrates the number (No.) , weighted average exercise price (WAEP) of, weighted average fair value (WAFV) of and movements in share options issued during the year.

	<u>2006</u>			<u>2005</u>		
	No.	WAEP	WAFV	No.	WAEP	WAFV
Balance at beginning of year	400,000	1.75	0.07	-	-	
- granted	-	-		400,000	1.75	0.07
- forfeited	(300,000)	2.00	0.04	-	-	
Balance at end of year	<u>100,000</u>	1.00	0.16	<u>400,000</u>	1.75	0.07
Exercisable at end of year	<u>100,000</u>	1.00	0.16	<u>-</u>	-	

The fair values of the options issued under the scheme are estimated at the date of grant using the Binomial Valuation Method. The following table gives the assumptions made in determining fair value of options granted during the years ending 30 June 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Expected volatility (%)	-	30.0%
Risk free interest rate (%)	-	5.39%
Expected life of options (years)	-	2.5 - 4.0
Option exercise price (\$)	-	\$1.00 - \$2.50
Share price at grant date (\$)	-	\$0.86

When calculating the expected life of the options it is assumed the options will be exercised at the mid-point between vesting date and the expiry date.

The expected volatility rates used reflect the assumption that historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

Other than the assumptions outlined above no other features of the options granted were incorporated into the measurement of fair value

During the year ended 30 June 2006 no options were exercised over ordinary shares.

The weighted average contractual life for the share options outstanding as at 30 June 2006 is 4.05 years (2005: 4.80 years)

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	\$'000	\$'000
14 TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables	2,354	130
Other payables	731	102
GST	58	(22)
	<u>3,143</u>	<u>210</u>

Trade payables and other payables are non-interest bearing and are generally settled on 30 to 180 day terms.

The net of GST payable and GST receivable is remitted to the appropriate tax body on a monthly basis.

15 PROVISIONS

Current

Employee entitlements		
Opening balance	29	-
Arising during the year	142	59
Utilised during the year	(17)	(30)
	<u>155</u>	<u>29</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

16 CONTRIBUTED EQUITY AND RESERVES

	2006 \$'000	2005 \$'000
<i>Ordinary shares</i>		
Issued and fully paid	87,492	76,080
	Thousands	Total \$'000
<i>Movement in ordinary shares on issue</i>		
At 1 July 2004	76,080	35,664
Transaction costs associated with the IPO	-	(14)
At 1 July 2005	76,080	35,650
Equity raising via Placement of ordinary shares	11,412	11,412
Transaction costs associated with the Placement and Rights Issue	-	(166)
At 30 June 2006	87,492	46,896

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

Share options

The company has a share option scheme under which options to subscribe for the company's shares have been granted to executive directors, senior managers and certain members of staff (refer note 13).

The company has a share option scheme under which options to subscribe for the company's shares will be granted to Eligible Participants of the Company's Loyalty Programme (refer note 13).

<i>Reserves</i>	Employee Share-based Payments Reserve	Loyalty Programme Share-based Payments Reserve	Total
	\$'000	\$'000	\$'000
At 1 July 2004	-	-	-
Share based payment	889	-	889
At 30 June 2005	889	-	889
Share based payment	755	92	847
At 30 June 2006	1,644	92	1,736

Nature and purpose of reserves

Employee Share-based Payment Reserve

The employee share-based payment reserve is used to record the value of equity-settled share-based payments provided to employees and directors as part of their remuneration. Refer to note 13 for further details of these plans.

Loyalty Programme Share-based Payment Reserve

The Loyalty Programme share-based payment reserve is used to record the value of equity-settled share-based payments provided to eligible participants of the Loyalty Programme Scheme. Refer to note 13 for further details of these plans.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to fund the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Company's financial instruments are cash flow interest rate risk, credit risk and liquidity risk.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

Cash flow interest rate risk

The Company's exposure to the risk of changes in market interest rates primarily relate to the Company's short-term deposits which attracts a floating interest rate. It is the Company's policy to monitor interest rate exposure and make fixed interest investments, when appropriate, to maximise interest income.

Foreign currency risk

The Company's exposure to foreign currency risk is minimal.

Credit risk

The Company trades only with creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. Since the Company trades with only creditworthy third parties there is no requirement for collateral.

Liquidity risk

The Group accesses capital raisings and borrowing facilities to maintain liquidity as required.

18 FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities approximate their fair values due to their short term to maturity.

Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

	<1year \$'000	>1 year \$'000	Total \$'000	Weighted Average Interest Rate
Year ended 30 June 2006				
<i>Floating rate</i>				
Cash assets	14,989	-	14,989	5.56%
Year ended 30 June 2005				
<i>Floating rate</i>				
Cash assets	8,472	-	8,472	5.46%

Receivables and payables are not exposed to interest rate risk.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$'000	2005 \$'000
19 COMMITMENTS AND CONTINGENCIES		
<i>Operating Leases (non-cancelable):</i>		
Minimum lease payments		
– not later than one year	94	92
– later than one year and not later than two years	88	-
	<u>182</u>	<u>92</u>

The non-cancelable operating lease represents the rental premises and has a lease term of two years and an average implicit interest rate of 3%.

Operating Leases (cancelable):

Minimum lease payments		
– not later than one year	66	30
– later than one year and not later than two years	67	46
– later than two years and not later than five years	102	47
	<u>235</u>	<u>123</u>

The cancelable operating leases represent novated leases on employee packaged vehicles and have lease terms of three to five years.

There are no contingent liabilities as at 30 June 2006 (2005: nil).

20 AUDITORS' REMUNERATION

Audit Services - Ernst and Young

Audit and review of the financial report of the entity	63	26
	<u>63</u>	<u>26</u>

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

21 KEY MANAGEMENT PERSONNEL REMUNERATION DISCLOSURES

(a) Details of key management personnel

(i) Directors

T.J.R. O'Brien	Chairman (non-executive)
D. Bastas	Director and Chief Executive Officer
G.R. Harding	Director and Chief Financial Officer
A.N. Vigopoulos	Director (non-executive)
K. Lianas	Director (non-executive) (resigned 27 February 2006)

(ii) Named Executives

K. Jeffs	Sales and Marketing Manager
----------	-----------------------------

There were no other changes of key management personnel between the reporting date and the date the financial report was authorised for issue.

(b) Option holdings of key management personnel

	Balance at 01-Jul-05	Balance at 30-Jun-06	Not Vested & Not Exercisable	Vested & Exercisable
Directors				
D. Bastas	1,800,000	1,800,000	600,000	1,200,000
G.R. Harding	1,500,000	1,500,000	500,000	1,000,000
Named Executives				
K. Jeffs	1,050,000	1,050,000	700,000	350,000
Total	4,350,000	4,350,000	1,800,000	2,550,000

(c) Shareholdings of key management personnel

Shares held in Genepharm Australasia Limited

	Balance 01-Jul-05	Net Change Other	Balance 30-June-06
Directors			
T.J.R. O'Brien	600,000	4,000	604,000
D. Bastas and G.R. Harding *	12,480,000	-	12,480,000
A.N. Vigopoulos #	28,800,000	-	28,800,000
Named Executives			
K. Jeffs	60,000	-	60,000

All equity transactions with specified directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Indicates relevant interest shareholding via a director related entity.

* D. Bastas and G.R. Harding hold 12,480,000 shares via a director related entity and as such both have a relevant interest in the 12,480,000 shares.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

21 KEY MANAGEMENT PERSONNEL REMUNERATION DISCLOSURES (continued)

(d) Compensation of key management personnel

	2006	2005
	\$	\$
Short-term	1,098,455	705,615
Post employment	80,374	56,395
Share-based payment	599,899	794,067
	<u>1,778,728</u>	<u>1,556,077</u>

The Company has applied the exemption under *Corporations Amendments Regulation 2006*, which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the Remuneration Report contained in the Directors' Report designated as audited.

22 OTHER RELATED PARTY DISCLOSURES

During the year Genepharma Australasia Limited paid Genepharma Asia Pacific Enterprises (GAPE), a director related entity of A.N. Vigopoulos, the sum of EUR450,000 (2005: EUR108,000) in full and final payment for its contribution to bioequivalence studies for nine (2005: six) submitted dossier registrations. The distribution agreement provides for the reimbursement for bioequivalence studies of up to a maximum of EUR60,000 per dossier submitted to the TGA for registration. Payment is made in three instalments over the registration and PBS listing process. Payment is made for each instalment 30 days after receiving the appropriate invoice confirming GAPE's total investment in the bioequivalence studies and Genepharma Australasia Ltd's contribution to that cost.

At balance date an amount of \$23,989 (2005: \$60,880) is receivable from GAPE in relation to recoverable costs.

During the year Genepharma Australasia Limited purchased trading stock from Genepharma Asia Pacific Enterprises (GAPE), a director related entity of A.N. Vigopoulos, to the value of EUR777,898 (2005: nil).

The distribution agreement provides for 180 day payment terms and as such the full amount is outstanding at balance date.

During the year, a fixed asset was purchased at written down value of \$36,874 from a director related entity of G.R. Harding.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2006

23 EVENTS AFTER THE BALANCE SHEET DATE

On the 13th July 2006 the Company acquired 100% of the voting shares of Douglas Pharmaceuticals Australia Limited. The consideration consisted \$55 million in cash at settlement and \$15 million in convertible notes first exercisable from July 2007. The acquisition was funded by a Placement of 11,412,000 shares (prior to the end of the financial year) and a Renounceable Rights Issue of 51,691,600 shares (subsequent to the end of the financial year).

At the date of acquisition Douglas Pharmaceuticals Australia Limited was involved in the marketing, sales and distribution of a range of prescription medicines, over the counter and dermo-cosmetic products to pharmacies.

As at the date of this report the fair values of the identified assets of Douglas Pharmaceuticals Australia Limited are in the process of being quantified.

On the 11th September 2006 the Company entered into a Heads of Agreement with Clinuvel Limited to acquire the Epipharm range of dermatology products. The \$1 million acquisition is expected to be finalised in October 2006.

On the 19th September 2006 the Company formed a strategic alliance with Primary Health Care Limited (Primary). The alliance will facilitate the promotion of Genepharm products by pharmacies in Primary Group medical centres. Subject to shareholder approval and certain performance criteria being met by Primary, the Company will grant to Primary up to 3 million share options over 2007 and 2008.

Directors' Declaration

In accordance with a resolution of the directors of Genepharma Australasia Limited, I state that:

1. In the opinion of the directors:
 - (a) the financial report and the additional disclosures included in the directors' report designated as audited, of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2006.

On behalf of the Board



Dennis Bastas
Director

Melbourne, 28 September, 2006

Independent audit report to members of Genepharm Australasia Ltd

Scope

The financial report, remuneration disclosures and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Genepharm Australasia Ltd (the company), for the year ended 30 June 2006.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 18 to 23 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

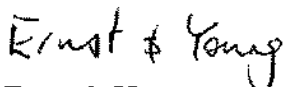
Independence

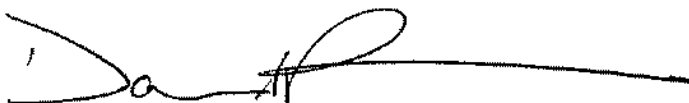
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Audit opinion

In our opinion:

1. the financial report of Genepharm Australasia Ltd is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Genepharm Australasia Ltd at 30 June 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
 - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained on pages 18 to 23 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.


Ernst & Young



David Petersen
Partner
Melbourne
28 September 2006

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 September 2006.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share is:

	Ordinary shares	
	Number of holders	Number of shares
1 - 1,000	222	179,103
1,001 - 5,000	824	2,734,245
5,001 - 10,000	633	5,455,747
10,001 - 100,000	906	27,506,673
100,000 and over	97	103,307,832
	2,682	139,183,600

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted

	Listed Ordinary shares	
	Number of shares	Percentage of ordinary shares
1 GENEPHARM AUSTRALASIA ASSOCIATES PTY LTD	12,480,000	8.97
2 GENEPHARM ASIA PACIFIC ENTERPRISES LIMITED	7,200,000	5.17
3 PELARO TRADING LIMITED	7,200,000	5.17
4 RELIO HOLDINGS LIMITED	7,200,000	5.17
5 TOFINO ENTERPRISES LIMITED	7,200,000	5.17
6 MANDRIOLA INVESTMENTS LIMITED	6,720,000	4.83
7 EQUITY TRUSTEES LIMITED SGH PI SMALLER CO'S FUND	6,085,000	4.37
8 INSTANZ NOMINEES PTY LTD J LIBERMAN FAMILY A/C	5,400,000	3.88
9 MR PETER HERCULES EST J M HERCULES A/C	5,130,000	3.69
10 NATIONAL NOMINEES LIMITED	4,932,400	3.54
11 UBS NOMINEES PTY LTD	3,091,005	2.22
12 BERNE NO 132 NOMINEES PTY LTD 389016 A/C	2,384,558	1.71
13 TYNONG PASTORAL CO PTY LTD	2,243,667	1.61
14 WESTPAC CUSTODIAN NOMINEES LIMITED	1,838,840	1.32
15 IDAMENEO (NO 123) PTY LTD IDAMENEO (NO 123) P/L A/C	968,647	0.70
16 MRS ANGELA HERCULES	900,000	0.65
17 GASPAR SUPERANNUATION FUND PTY LTD	793,167	0.57
18 GENERIC BLU PTY LTD	750,000	0.54
19 ANZ NOMINEES LIMITED CASH INCOME A/C	742,397	0.53
20 J K DEMARIA PTY LTD	730,000	0.52
	83,989,681	60.33

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of shares
GENEPHARM AUSTRALASIA ASSOCIATES PTY LTD	12,480,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.