

Appendix 4E

Preliminary final report

Name of entity

Genepharm Australasia Limited

ABN

52 107 340 367

| | | | | | |
|------------|---|------------------|---------------------------------------|----|--|
| 1 | Financial year ended | - Current period | 30 June 2007 | | |
| | | - Prior period | 30 June 2006 | | |
| 2 | Results for announcement to the market | | % from previous period | | A\$'000 |
| 2.1 | Net revenues from continuing operations | up | 2409% | to | 55,309 |
| 2.2 | Loss from continuing operations | down | 109% | to | 500 |
| 2.3 | Net loss for the period attributable to members | up | 221% | to | (17,961) |
| 2.4 | Dividends (distributions) | | Amount per security | | Franked Amount per security |
| | Final Dividend | | N/A | | N/A |
| | <i>The company is not proposing any dividends</i> | | | | |
| | Previous corresponding period | | N/A | | N/A |
| 2.5 | The record date for determining entitlements to the dividends. | | N/A | | N/A |

2.6 Brief explanation of any of the figures reported above in 2.1 to 2.4 necessary to enable the figures to be understood:

| <i>Significant expense items contributing to the result were as follows:</i> | A\$'000 | | | | | | | | | |
|--|-----------------|-----|--|--|-----|-----|--|--|--|-----|
| <ul style="list-style-type: none"> • Write off of the distribution agreement and distribution rights with Genepharma Asia Pacific Enterprises Pty Ltd and associated net costs. | 18,461 | | | | | | | | | |
| <ul style="list-style-type: none"> • Amortisation of the distribution rights with Genepharma Asia Pacific Enterprises Pty Ltd and associated assets (prior to write off) representing the agreed reduction in carrying value on a straight line basis over ten years. | 2,404 | | | | | | | | | |
| <ul style="list-style-type: none"> • Interest incurred on the convertible notes on issue to Douglas International Holdings Limited prior to redemption (see also Subsequent Events). <table style="margin-left: 20px; width: 80%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Coupon Interest</td> <td style="text-align: right;">439</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Additional interest charge under AIFRS</td> <td style="text-align: right;">473</td> <td style="text-align: right;">912</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;"></td> <td></td> </tr> </table> | Coupon Interest | 439 | | Additional interest charge under AIFRS | 473 | 912 | | | | 912 |
| Coupon Interest | 439 | | | | | | | | | |
| Additional interest charge under AIFRS | 473 | 912 | | | | | | | | |
| | | | | | | | | | | |
| <ul style="list-style-type: none"> • Expenses incurred in relation to potential acquisitions | 289 | | | | | | | | | |
| <ul style="list-style-type: none"> • Integration costs incurred in relation to the acquisition of Douglas Pharmaceuticals Australia Limited | 989 | | | | | | | | | |
| | 23,055 | | | | | | | | | |

3 Profit and Loss Statement

| | Notes | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|--|-------|----------------------------|----------------------------|
| Revenue from continuing operations | | | |
| Net revenues from sale of goods | | 54,575 | 1,795 |
| Cost of Sales | | (32,787) | (1,024) |
| Gross profit | | 21,788 | 771 |
| Other income | 2 | 734 | 409 |
| Sales and marketing expenses | | (13,434) | (4,262) |
| Distribution expenses | | (767) | - |
| Corporate Affairs expenses | | (1,580) | (1,258) |
| Regulatory Affairs expenses | | (1,284) | (238) |
| Occupancy expenses | | (809) | (137) |
| Administration expenses | | (3,189) | (879) |
| Other expenses | 3 | (18,825) | - |
| Finance costs | 3 | (1,087) | (7) |
| Loss before related income tax expense | | (18,453) | (5,601) |
| Income tax (expense)/benefit attributable to ordinary activities | | 492 | - |
| Net loss for the period | | (17,961) | (5,601) |
| Basic loss per share (cents per share) | | (15.0 cents) | (7.3 cents) |
| Diluted loss per share (cents per share) | | (15.0 cents) | (7.3 cents) |

The Profit and Loss Statement is to be read in conjunction with the notes to the financial statements.

4 Balance Sheet

| | Notes | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|--|-------|----------------------------|----------------------------|
| Current assets | | | |
| Cash assets | 4 | 13,460 | 14,989 |
| Receivables | 5 | 12,295 | 1,460 |
| Inventories | 6 | 11,578 | 1,870 |
| Other | 7 | 609 | 1,010 |
| Total current assets | | 37,942 | 19,329 |
| Non current assets | | | |
| Plant and equipment | 8 | 1,411 | 278 |
| Intangibles | 9 | 61,700 | 21,175 |
| Deferred tax assets | | 2,334 | - |
| Total non current assets | | 65,445 | 21,453 |
| Total assets | | 103,387 | 40,782 |
| Current liabilities | | | |
| Payables | 10 | 27,948 | 3,143 |
| Provisions | 11 | 1,820 | 155 |
| Total current liabilities | | 29,768 | 3,298 |
| Non current liabilities | | | |
| Provisions | 11 | 81 | - |
| Deferred tax liabilities | | 728 | - |
| Total non current liabilities | | 809 | - |
| Total liabilities | | 30,577 | 3,298 |
| Net assets | | 72,810 | 37,484 |
| Equity | | | |
| Contributed equity | | 97,053 | 46,896 |
| Share options reserve | | 2,197 | 1,736 |
| Convertible notes - equity value (net costs) | | 2,669 | |
| Accumulated losses | | (29,109) | (11,148) |
| Total equity | | 72,810 | 37,484 |

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

5 Cash Flow Statement

| | Notes | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|--|-----------|----------------------------|----------------------------|
| Cash flows from operating activities | | | |
| Payments to suppliers and employees | | (53,776) | (4,465) |
| Receipts from customers | | 57,951 | 571 |
| Interest received | | 688 | 389 |
| Income taxes paid | | (99) | - |
| Net cash flow from operating activities | 14 | 4,764 | (3,505) |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (830) | (185) |
| Payments for intangible assets | | (934) | (1,080) |
| Costs associated with the acquisition of a business | | (56,207) | (109) |
| Cash from acquired business | | 2,946 | - |
| Net cash flow from investing activities | | (55,025) | (1,374) |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares | | 51,692 | 11,412 |
| Transaction costs from issue of shares and convertible notes | | (2,960) | (16) |
| Net cash flows from financing activities | | 48,732 | 11,396 |
| Net increase/decrease in cash held | | (1,529) | 6,517 |
| Cash at the beginning of the financial year | | 14,989 | 8,472 |
| Cash at the end of the financial year | | 13,460 | 14,989 |

The Cashflow Statement is to be read in conjunction with the notes to the financial statements.

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007**

Note 1 Basis of Preparation

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').

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|---|-------------------------------------|-------------------------------------|
| Note 2 Other income | | |
| Interest revenue from unrelated party | 688 | 409 |
| Gain on exchange | 14 | - |
| Other | 32 | - |
| | 734 | 409 |
| Note 3 Expenses | | |
| (a) Other expenses | | |
| Professional fees | 289 | - |
| Shares issued to staff | 75 | - |
| Write off of supplier distribution agreement and associated net costs | 18,461 | - |
| | 18,825 | - |
| (b) Finance Costs | | |
| Bank fees and charges | 8 | 7 |
| Interest on convertible notes | 922 | - |
| | 930 | 7 |
| (c) Depreciation and amortisation | | |
| Depreciation - plant and equipment | 325 | 26 |
| Amortisation of distribution agreement and distribution rights | 2,404 | 2,404 |
| Amortisation of dossier costs | 342 | 15 |
| Amortisation of supplier licence agreement | 170 | - |
| | 3,241 | 2,445 |
| (d) Lease payments and other expenses included in income statement | | |
| Minimum lease payments -operating lease | 970 | 153 |
| | 970 | 153 |
| (e) Employee benefits expense | | |
| Wages and salaries | 7,589 | 1576 |
| Defined contribution superannuation | 578 | 144 |
| Share based payment expense | 193 | 755 |
| Other employee benefits expense | 693 | 307 |
| | 9,053 | 2,782 |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|---|----------------------------|----------------------------|
| Note 4 Cash Assets | | |
| Cash at bank and on hand | 3,643 | 289 |
| Term deposit | 9,817 | 14,700 |
| | 13,460 | 14,989 |
| Note 5 Receivables - Current | | |
| Trade Debtors | 12,208 | 1,403 |
| Other debtors | 87 | 57 |
| | 12,295 | 1,460 |
| Note 6 Inventories | | |
| Inventories on hand and in transit | 11,993 | 1,870 |
| Provision for obsolete stock | (415) | - |
| | 11,578 | 1,870 |
| Note 7 Other Current Assets | | |
| Deposit | 31 | 30 |
| Prepayments | 478 | 182 |
| Acquisition costs | - | 796 |
| Other | 100 | 2 |
| | 609 | 1,010 |
| Note 8 Plant and Equipment | | |
| <i>Gross Carrying amount</i> | | |
| Balance at 30 June 2006 | 321 | 136 |
| Acquired on acquisition of subsidiary | 1,412 | - |
| Additions | 876 | 185 |
| Disposals | - | - |
| Balance at 30 June 2007 | 2,609 | 321 |
| <i>Accumulated Depreciation/Amortisation</i> | | |
| Balance at 30 June 2006 | (43) | (17) |
| Acquired on acquisition of subsidiary | (830) | - |
| Depreciation and amortisation expense | (325) | (26) |
| Balance at 30 June 2007 | (1,198) | (43) |
| <i>Net Book Value at 30 June 2007</i> | 1,411 | 278 |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|--------------------------------------|-------------------------------------|-------------------------------------|
| Note 9 Intangibles | | |
| Distribution agreement | - | 24,041 |
| Accumulated amortisation | - | (4,940) |
| | - | 19,101 |
| Dossier costs | 3,380 | 2,089 |
| Accumulated amortisation | (631) | (15) |
| | 2,749 | 2,074 |
| Supplier Licence Agreement - at cost | 1,185 | - |
| Accumulated amortisation | (169) | - |
| | 1,016 | - |
| Trademarks | 6,400 | - |
| Goodwill on consolidation | 51,535 | - |
| | 61,700 | 21,175 |

Note 10 Payables

Current

| | | |
|--|--------|-------|
| Trade creditors and accruals | 14,873 | 2,354 |
| Convertible notes (net of issue costs) | 12,297 | - |
| Net GST payable | 384 | 58 |
| Other payables | 394 | 731 |
| | 27,948 | 3,143 |

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- (ii) Other creditors are non-interest bearing and have a maximum term of 90 days

Note 11 Provisions

Current

| | | |
|-------------------------------|-------|-----|
| Employee entitlements | 412 | 155 |
| Income tax | 496 | - |
| Interest on convertible notes | 912 | - |
| | 1,820 | 155 |

Non-current

| | | |
|-----------------------|----|---|
| Employee entitlements | 81 | - |
| | 81 | - |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

| Note 12 | 30 June 2007 | | 30 June 2006 | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| <i>Reconciliation of movement in contributed equity</i> | | | | |
| | No of Shares | Value A\$'000 | No of Shares | Value A\$'000 |
| Ordinary shares fully paid | | | | |
| Balance at the beginning of the year | 87,492,000 | 46,896 | 76,080,000 | 35,650 |
| Shares issued under Placement | - | - | 11,412,000 | 11,412 |
| Shares issued under Rights Issue | 51,691,600 | 51,691 | - | - |
| Costs associated with Placement and Rights Issue | - | (1,609) | - | (166) |
| Shares issued to staff | - | 75 | - | - |
| | 139,183,600 | 97,053 | 87,492,000 | 46,896 |

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|---|-------------------------------------|-------------------------------------|
| Note 13 | | |
| Share Options Reserve | | |
| At the beginning of the financial period | 1,736 | 889 |
| Options expensed | 461 | 847 |
| Share options reserve at the end of the financial period | 2,197 | 1,736 |

| Note 14 | | |
|--|-----------------|-----------------|
| Accumulated Losses | | |
| At the beginning of the financial period | (11,148) | (5,547) |
| Current period loss attributed to the operations of Genepharm Australasia Limited and its controlled entities | (17,961) | (5,601) |
| Accumulated losses at the end of the financial period | (29,109) | (11,148) |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 |
|--|-------------------------------------|-------------------------------------|
| Note 15 Earnings Per Share | | |
| The following reflects the income and share data used in the calculations of basic and diluted earnings per share: | | |
| Net Loss | (17,962) | (5,601) |
| Earnings used in calculating basic and diluted earnings per share | <u>(17,962)</u> | <u>(5,601)</u> |
| | <i>Number of shares</i> | |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 137,662,293 | 76,799,112 |
| Effect of dilutive securities: | | |
| Share options (unweighted) | 5,324,671 | 2,866,667 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 141,492,097 | 78,653,998 |
| Note 16 Notes to the Statement of Cash Flows | | |
| Reconciliation of operating loss after income tax to net cash flows from operating activities | | |
| Net loss after income tax | (17,961) | (5,601) |
| <i>Adjustments for non cash items:</i> | | |
| Write off of supplier distribution agreement and associated assets and | 18,461 | |
| Depreciation and amortisation of non-current assets | 325 | 26 |
| Amortisation of intangible assets | 2,916 | 2,419 |
| Shares and share options expensed | 537 | 847 |
| Interest on convertible notes | 912 | |
| Income tax provided | (492) | |
| Other non cash items | 68 | |
| <i>Changes in net assets and liabilities</i> | | |
| (Increase)/decrease in assets | | |
| - Trade and other receivables | (2,120) | (1,403) |
| - Inventories | (3,771) | (1,870) |
| - Other assets | (124) | (982) |
| Increase/(Decrease) in liabilities | | |
| - Trade and other payables | 4,214 | 2,375 |
| - Other creditors/accrued expenses | 2,385 | 559 |
| - Provisions | (586) | 125 |
| Net cash (used in)/from operating activities | <u>4,764</u> | <u>(3,505)</u> |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

| | 30 June 2007 A\$'000 | 30 June 2006 A\$'000 | |
|---|-------------------------------------|---|---|
| 6 Dividends | | | |
| Date the dividend (distribution) is payable | N/A | N/A | |
| Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00pm if securities are not CHES approved, or security holding balances established by 5.00pm or such later time permitted by SCH Business Rules if securities are CHES approved) | N/A | N/A | |
| If it is a final dividend, has it been declared? | N/A | N/A | |
| Amount per security | Amount per security | Franked amount per security at % tax | Amount per security of foreign source dividend |
| Final dividend | | | |
| - current year | N/A | N/A | N/A |
| - previous year | N/A | N/A | N/A |
| Interim dividend | | | |
| - current year | N/A | N/A | N/A |
| - previous year | N/A | N/A | N/A |
| 7 Details of dividend or distribution reinvestment plans in operation | | | |
| N/A | | | |
| 8 Net asset backing | | | |
| | 30 June 2007 cents | 30 June 2006 cents | |
| Net tangible backing per ordinary security | 29.9 | 11.1 | |

**Notes to and forming part of the Financial Statements
for the period ended 30 June 2007 (continued)**

9 Control gained over entities during the financial year

9.1 Name of entity Genepharm Limited

9.2 The date of gain of control 13 July 2006

9.3 Ownership interest 100%

9.4 Contribution to the reporting entity's profit from ordinary activities after tax

Since acquisition, Genepharm Limited has contributed to the consolidated entity a net profit after income tax expense of \$4,667,215.

10 Details of aggregate share of profits (losses) of associates and joint venture entities

N/A

11 Subsequent events

On 2 July 2007 the Company was given notice by Douglas International Holdings Ltd of its intention to exercise its rights of redemption under the terms of the Convertible Note Deed. The Notes were subsequently redeemed in full on 17 August 2007 as follows:

| | |
|---------------------------------|-------------------|
| Redemption of Convertible Notes | 15,000,000 |
| Payment of accumulated interest | <u>501,326</u> |
| | <u>15,501,326</u> |

12 Subject to Audit

The accounts are in the process of being audited and are not likely to be subject to dispute or



G.R. Harding
Chief Finance Officer

28 August, 2007