



Star Combo Pharma Limited

— Australia —

2023

Appendix 4E

Preliminary Final Report

ASX: S66



STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
ABN 38 615 728 375

APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
APPENDIX 4E
PRELIMINARY FINAL REPORT

Company details

Name of entity: STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
 ABN: 38 615 728 375
 Reporting period: 12 month period ended 30 June 2023
 Previous period: 12 month period ended 30 June 2022

Results for announcement to the market

	Up/down	Movement	30 June 2023 \$	30 June 2022 \$
Revenue from ordinary activities	Up	1,819,863	24,700,277	22,880,414
Loss before tax from ordinary activities attributable to the owners of Star Combo Pharma Ltd	Up	(2,373,283)	(3,454,915)	(1,081,632)
Loss from ordinary activities attributable to the owners of Star Combo Pharma Ltd	Up	(1,573,967)	(2,268,287)	(694,320)

For further information on the above disclosures, please refer to the Directors' report contained within the attached Financial Report.

Dividend information

During the financial year, no dividends were declared and paid (2022: nil).

Net tangible assets

	30 June 2023	30 June 2022
Net tangible assets per ordinary security	0.24	0.26

Status of Audit

The 30 June 2023 financial statements and accompanying notes for Star Combo Pharma Ltd and Controlled Entities have been audited and are not subject to any disputes. Refer to page 59 of the 30 June 2023 Financial Report for a copy of the audit report.

Attachments

The consolidated financial statements of Star Combo Pharma Ltd for the year ended 30 June 2023 are attached.

Signed



Richard Allely

Chairman

29 August 2023

STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES

ABN 38 615 728 375

FINANCIAL REPORT 2023

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Directors' Report

for the year ended 30 June 2023

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Star Combo Pharma Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2023.

DIRECTORS

The following persons were directors of Star Combo Pharma Ltd during the financial year and up to the date of this report, unless otherwise stated:

Mr. Richard Allely – Chairman, Non-executive Director
Mr. Jinxing (Star) Zhang – Managing Director
Ms. Su Zhang – Chief Executive Officer
Dr Ziye Sui – Non-executive Director – Ceased to be a Director on 30 August 2022
Mr. Jialong Ding – Non-executive Director
Ms. Wei Han – Non-executive Director

Particulars of each director's skills, experience and qualifications are set out below:

Richard Allely **Chairman, Non-executive Director**

Qualifications

- MBA (Finance Major)
- DipCM
- FCPA
- FAICD

Experience and expertise

Richard was appointed to the Board in 2018 as an independent Non-executive Director and Chairman. Richard has previously held non-executive roles on the boards of Australian Medical Publishing Company Pty Ltd, Perisher Blue Pty Ltd, Australian Property Monitors Pty Ltd and Source Financial Inc. (a USA Public Company). He has also been an independent member of Work Cover Authority of NSW and an advisory board member of Renoir Consulting Group.

Richard was the Managing Director and CEO of PMP Ltd (PMP) until 2012, when he stepped down from the position, after serving just over 10 years with the company (seven years as CFO). PMP is the largest printing and distribution company in Australia and New Zealand with a turnover in excess of \$A1 billion.

Prior to this, Richard held senior executive roles with a number of leading Australian and International companies including Tenix Pty Ltd (formerly Transfield Pty Ltd), John Fairfax Holdings Ltd, Boral Ltd, James Hardie Industries Ltd and Fanner-PLP Pty Ltd. Richard has significant experience in the manufacturing, building and construction, and publication and media sectors within Australia and South East Asia.

Interest in shares and options

Options over ordinary shares: None (2022: Nil).

Ordinary shares: None.

Other current listed directorships

None.

Former directorships of listed companies in last three years

None.

Special responsibilities

Chairman.

Star (Jinxing) Zhang
Managing Director**Qualifications**

- Bachelor of Science (Biochemistry major)

Experience and expertise

Star was appointed to the Board in 2016 as Managing Director. Star is the founder of Star Combo and has a strong background in the pharmaceutical industry. After graduation from university, Star worked for 10 years at a medical research company in China which produced hard gel capsules, tablets and injections. While there, he pioneered the extraction and purification of hyaluronic acid, important as a lubricant in ocular surgery.

Furthermore, he developed methods to separate low molecular weight hyaluronic acid, which is used in cosmetics. Star then immigrated to New Zealand, where he studied Commerce at the University of Auckland for one year. Upon returning to Australia, Star incorporated Star Combo in 2004 to address the need for high quality and affordable Australian-made health foods in the market.

Interest in shares and options

Options over ordinary shares: None.

Ordinary shares: 38,165,510

Other current directorships

- Antoine International Pty Ltd

Former directorships of listed companies in last three years

None.

Special responsibilities – Managing Director.

Su Zhang
Chief Executive Officer**Qualifications**

- Master of Business Administration
- Graduate Certificate in Commerce
- Bachelor of Pharmacy

Experience and expertise

Su has been working in the pharmaceutical industry for over 10 years, starting her career with Terry White Chemists after graduating from University of Sydney in 2006. Upon leaving Terry White Chemists, Su worked for three years at Abbott Australia. She commenced at Abbott Australia as a Senior Drug Safety Associate and later moved into the role of Asia Pacific Regional Manager. In 2009, Su commenced employment with Star Combo, initially focusing her efforts on obtaining a TGA licence for Costar Pharma. Su's responsibilities within Star Combo include quality control and compliance, operational management, production planning and sales cycle management.

Interest in shares and options

Options over ordinary shares: None.

Ordinary shares: 11,448,980

Other current directorships

None.

Former directorships of listed companies in last three years

None.

Special responsibilities

None.

Dr Ziyi Sui – retired as Director on 30 August 2022

Non-executive Director**Qualifications**

- M.D., Ph.D.

Experience and expertise

As a senior manager in the medical device industry, Dr. Sui has extensive knowledge and experience in medical device production, regulation, sales, and marketing in both Chinese and international markets. She has rich experience in pharmaceutical wholesale and retail businesses, she managed to build up a B2C platform of homecare medical devices and healthcare products, which could be helpful for Costar products introduction in the Chinese market.

Interest in shares and options

Options over ordinary shares: None.

Ordinary shares: None.

Other current directorships

- Chief Executive Officer (CEO): Lepu Biopharma Co., Ltd.
- Executive Director: CtM Biotech Co., Ltd.
- General Manager: Lepu (Beijing) Biopharma Co., Ltd.
- Board Director: Shanghai Miracogen Inc.
- Board Director: Hangzhou HealSun Biopharma Co., Ltd.

Former directorships of listed companies in last three years

None.

Special responsibilities

None.

Mr Jialong Ding
Non-executive Director**Qualifications**

- Senior Technician (in Pharmaceutical Marketing and Human Resource)

Experience and expertise

As the Vice President of the pharmaceutical business in Goldenmax International, Mr. Ding has over 30 years of experience in pharmaceutical distribution, production, and compliance. Prior to this, Mr. Ding held senior executive roles in several Chinese pharmaceutical companies, including subsidiaries of Shanghai Pharma.

Mr. Ding was Vice President of China Nonprescription Medicines Association (CNMA) and Vice President of Shanghai Pharmaceutical Profession Association (SPPA).

Interest in shares and options

Options over ordinary shares: None.

Ordinary shares: None.

Other current directorships

None.

Former directorships of listed companies in last three years

None.

Special responsibilities

None.

Ms Wei Han
Non-executive Director**Qualifications**

- Qualified professional statistician
- Board Secretary of Listed Company

Experience and expertise

As the Vice Chairman and director of Goldenmax International, Ms. Han has wide knowledge and experience in company governance of a listed company, compliance and financial management. Prior to joining Goldenmax International, Ms. Han has more than 30 years of specialised experience in company governance and accounting, providing professional services in the Chinese food and consumer industry.

Interest in shares and options

Options over ordinary shares: None.

Ordinary shares: None.

Other current directorships

Goldenmax International Technology Ltd

Former directorships of listed companies in last three years

None.

Special responsibilities

None.

COMPANY SECRETARY

Patrick Raper

Qualifications

- FCPA
- FAICD

Experience and expertise

Patrick has over 25 years of experience as CFO and Company Secretary of ASX listed entities specialising in establishing finance, administration and governance infrastructure to enable fast growing and newly listed entities.

Interest in shares and options

Options over ordinary shares: None

Ordinary shares: None.

CHIEF FINANCIAL OFFICER

Mr James Ni

Qualifications

- FCPA
- CTA

Experience and expertise

James Ni joined Star Combo in June 2022. He is responsible for the finance, tax, legal and IT functions across the Group and assisting the Board with strategy development and execution. James has over 20 years of experience working in ASX-listed Entities and accounting firms. James has built extensive experience in IPO preparation, merger and acquisition, business integration & transformation, and financial management in a wide portfolio of private, listed, multinational companies and industry sectors.

Interest in shares and options

Options over ordinary shares: None

Ordinary shares: None.

MEETINGS OF DIRECTORS

During the financial year, 13 meetings of directors (including committees of directors) were held. Attendance by each director during the year was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Richard Allely	13	13
Star (Jinxing) Zhang	13	13
Su Zhang	13	13
Ziye Sui	2	0
Jialong Ding	13	12
Wei Han	13	10

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were the manufacture and distribution of health food products and nutritional supplements.

The core business (Manufacturing & Distribution) performed very well for FY23 with revenues up \$4.5 million to \$20.7 million or 28% compared to the previous corresponding period. Underpinning this growth was the expansion of our client base combined with the development of a number of new products. The Group revenue of \$24.7M for FY23 was up 8% on the previous corresponding period.

Notwithstanding the solid operating performance of the Group in FY23, the Group incurred a loss after income tax of \$3.94 million, primarily due to the write down of assets (\$4.41 million) that were destroyed as the result of a factory fire in October 2022. The Australian Accounting Standards require the company to write down the carrying value of these destroyed assets pending the outcome of a (yet to be determined) insurance claim. The proceeds of this claim (when finalised) will be brought to account and will represent an offset to this write down to the extent of the amount.

No other significant change in the nature of the Group's activities occurred during the year.

REVIEW OF OPERATIONS**Business and operational update**

During the 2023 financial year (FY2023), the Group continued its focus on implementing and transitioning its strategy to become a leading contract manufacturer in Australia for the vitamin and health supplements sector.

Star Combo's core OEM and own brands business continued to grow during the year, with record manufacturing output as the Company executed its order book, benefiting from intermittent 24-hour manufacturing capabilities to increase production and improved supply chain dynamics.

OEM and Own Brands revenue totalled a record of \$20.7M for FY2023 representing growth of 28% from \$16.2M in FY2022.

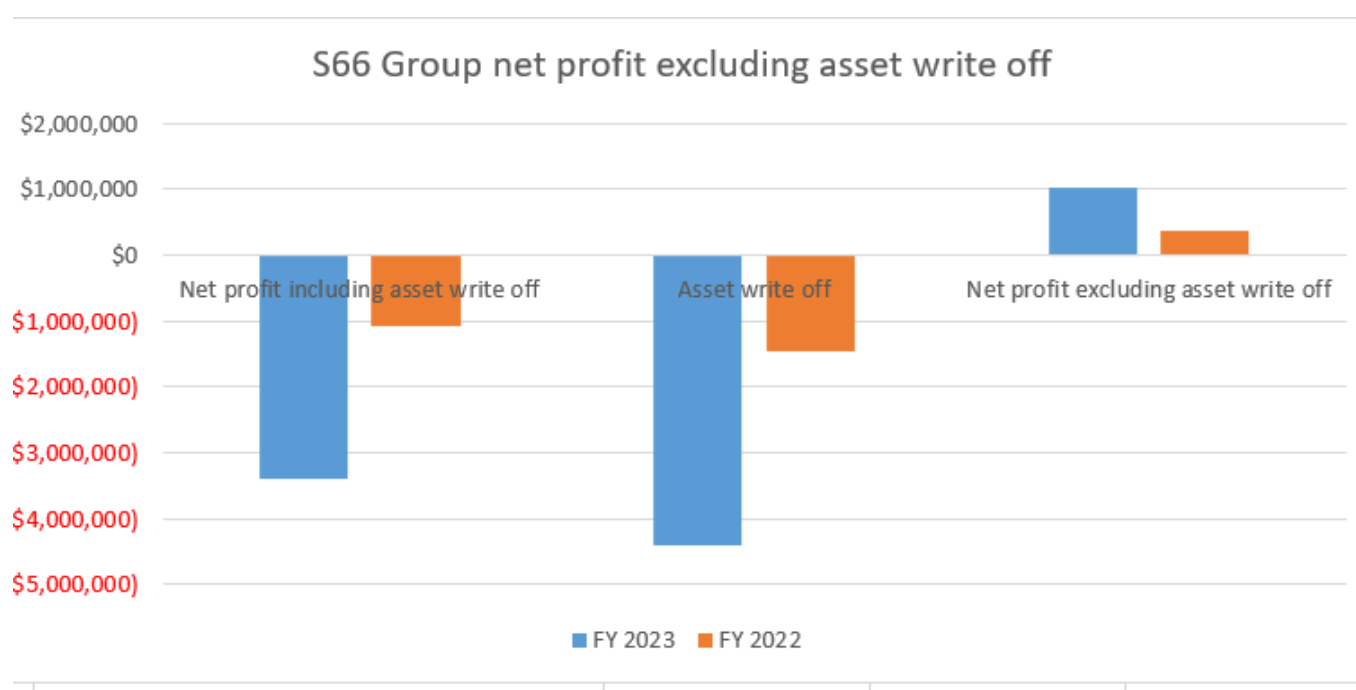
The Company's non-core Retail revenue in the AustoYou and Koala Mall sector was \$3.9M for FY2023 representing a decline of 41% from the FY2022 revenue of \$6.7M. The Retail division revenue was going down because of the closing down of Australia based retail shop.

Star Combo total group revenue for the full year FY2023 was \$24.7M representing a growth 8% from FY2022 group revenue of \$22.9M as the Company's non-core Retail division continued to decline, offset by the strong performance in the core OEM and Own Brands division.

The following table summarises the movement in the groups revenues from FY 2022 to FY 2023

	FY23 Group revenue (\$m)	FY22 Group revenue (\$m)	Percentage increase / (decrease)
Star Combo revenue – OEM and Own brands	\$20.8	\$16.2	28%
Austoyou and Koala Mall revenue	\$3.9	\$6.7	(41%)
Total Group Revenue	\$24.7	\$22.9	8%

Waterfall Graph here showing the material line-item differences between FY23 Net Profit excluding asset write off v FY22 Net Profit excluding asset write off.



	FY 2023	FY 2022
Net profit including asset write off	(3,454,915)	(1,081,633)
Asset write off	(4,412,660)	(1,459,397)
Net profit excluding asset write off	\$957,746	\$377,764

Improved Relations with OEM clients

Throughout the year Star Combo has extended the number of clients on whose behalf its manufacturers. This has been the result of a focused effort to work with established brands who previously have secured their product from alternative manufacturers.

New and Improved Distribution arrangements

Star Combo has distribution arrangements in place in Australia and overseas for its proprietary health supplement product lines including Living Healthy, Costar, Amax, and J&K. Domestic distribution has continued to strengthen during the year with improved performances from Terry White Chemmart and other customers.

Star Combo's 12-month distribution agreement with leading Vietnamese distributor Happy Services Co Ltd for the sale and distribution of Costar across Vietnam, commenced in August 2021 for a 12-month period and has been further extended for an additional 12 months with options. The arrangement continues to operate successfully.

The distribution arrangements seek to capture an increasing middle class and an aging population in Asia. The Company expects to secure longer term arrangements in the near future.

Retail Division (Austoyou & Koala Mall)

The lower demand from China for products available through the Group's Austoyou online platform and the closure of the Australian retail shop has driven the overall decline in revenue for the Retail Division of 41% from FY 2022 revenue as indicated in the above table.

Cash Flow and Cash Balance Further

The following table summarises the movement in cash flows during the year and the balance of cash on hand at year end.

	FY2023 \$m	FY2022 \$m
Balance of Cash on Hand at beginning of year	\$10.40	\$17.30
(Less)/Add Cash from Operations	\$1.87	\$0.70
Less Cash invested in manufacturing facilities	(\$2.72)	(\$7.30)
Less Cash from financing activities	(\$0.05)	(\$0.30)
Balance of Cash on Hand at end of year	\$9.50	\$10.40

NET TANGIBLE ASSETS PER ORDINARY SHARE

Net Tangible Assets per Ordinary Share is \$0.24 (FY2022: \$0.26).

DIVIDENDS

No dividends were declared or paid during the year (FY2022: Nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As noted above, the Group suffered the impact of a factory fire which caused substantial damage to property and equipment. This fire occurred on 16th October 2022 and while it is the subject of an insurance claim, we are fortunate that there were no injuries on the site. The Group was able to continue its manufacturing operations as "Business as Usual".

As noted above the Group has sold 49% of the Retail division (Austoyou & Koala Mall) in November 2022 and closed the last remaining retail shop in order to restore the divisions profitability.

There have not been any other significant changes in the state of affairs of the group.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

ENVIRONMENTAL REGULATION

The directors recognise the importance of environmental and occupational health and safety issues. The directors are committed to compliance with all relevant regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the Group are not subject to any particular and significant environmental regulation under the law of the Commonwealth of Australia or any of its states or territories or New Zealand.

REMUNERATION REPORT (AUDITED)

This remuneration report forms part of the directors' report for the year ended 30 June 2023 and details the nature and amount of remuneration for director, non-executive directors and other key management personnel ("KMP") of Star Combo Pharma Ltd and controlled entities.

REMUNERATION POLICY

The remuneration policy of the Group has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and bonuses issued at the discretion of the board of the company. The Board of Directors of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

All remuneration paid to key management personnel (directors and others) is valued at the cost to the company and expenses or where appropriate transferred to capital items. Shares issued to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management person. Share options are valued using the binomial option or Black Scholes valuation methodology. Shares and options granted to key management personnel (directors and others) are subject to any necessary approvals required by the ASX Listing Rules.

DIRECTORS AND KEY MANAGEMENT PERSONNEL

The term "key management" as used in this remuneration report refers to the following directors and executives:

Directors

The following persons acted as directors of the Company during the financial year or up to the date of this report:

Richard Allely	(Chairman)
Star (Jinxing) Zhang	(Managing Director)
Su Zhang	(Chief Executive Officer)
Dr. Ziyue Sui (resigned 30 August 2022)	(Non-executive Director)
Jialong Ding	(Non-executive Director)
Wei Han	(Non-executive Director)

Executives

The following persons acted as CFO of the Company during the financial year or up to the date of this report

James Ni	(Chief Financial Officer - appointed 9 June 2022)
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The Company does not consider any other employees or consultants to be Key Management Personnel.

ENGAGEMENT OF REMUNERATION CONSULTANTS

There is no engagement of remuneration consultants.

PERFORMANCE-BASED REMUNERATION

At this point, there is no performance-based remuneration, other than employee options issued to certain key employees. The issue of options is designed to align the interest of key employees and shareholders.

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

There are no performance conditions linked to remuneration.

Directors' Report – Remuneration Report (continued)

for the year ended 30 June 2023

CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO THE YEAR END

There have been no changes in directors and executives subsequent to year end.

KEY MANAGEMENT PERSONNEL EMPLOYMENT DETAILS

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that is performance and non-performance based.

	Position held as at 30 June 2023 and during the year	Contract details (duration and termination)	Proportion of remuneration related to performance (Other than options issued)		Proportion of remuneration not related to performance
			Non-salary cash-based incentives	Shares	Fixed Salary/Fees
<i>Group KMP</i>			%	%	%
Directors					
Mr. Richard Allely	Chairman	No fixed term. Two months' notice required to terminate.	-	-	100
Mr. Star (Jinxing) Zhang	Managing Director	No fixed term. Three months' notice required to terminate.	-	-	100
Ms. Su Zhang	Chief Executive Officer	No fixed term. Two months' notice required to terminate.	-	-	100
Mr. Jialong Ding	Non-executive Director	No fixed term.	-	-	n/a
Ms. Wei Han	Non-executive Director	No fixed term.	-	-	n/a
Management					
Mr James Ni	Chief Financial Officer	No fixed term. Three months' notice required to terminate.	-	-	100

The employment terms and conditions of all key management personnel are formalised in contracts of employment.

Directors' Report – Remuneration Report (continued)
for the year ended 30 June 2023
KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSE DETAILS FOR THE YEAR ENDED 30 JUNE 2023

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

		Salary, Fees and Leave	Pension and Super-annuation	Cash bonus	Long service leave	Shares/ Units	Options/ Rights	Total
<i>Group KMP</i>	Year	\$	\$	\$	\$	\$	\$	\$
Mr. Richard Allely	2022	91,324	9,132	-	-	-	-	100,456
	2023	91,324	9,589	-	-	-	-	100,913
Ms. Ziye Sui	2022	19,800	-	-	-	-	-	19,800
	2023	3,400	-	-	-	-	-	3,400
Mr. Jialong Ding	2022	-	-	-	-	-	-	-
	2023	-	-	-	-	-	-	-
Ms. Wei Han	2022	-	-	-	-	-	-	-
	2023	-	-	-	-	-	-	-
Mr. Star (Jinxing) Zhang	2022	180,180	18,018	-	-	-	-	198,198
	2023	180,024	18,902	-	-	-	-	198,926
Ms. Su Zhang	2022	171,723	16,999	-	5,111	-	-	193,833
	2023	169,988	17,849	-	8,481	-	-	196,318
Mr. Daniel Zheng	2022	195,180	16,934	-	-	-	-	212,114
	2023	n/a	n/a	-	n/a	-	-	n/a
Mr. James Ni	2022	3,692	369	-	10	-	-	4,071
	2023	164,004	17,220	-	368	-	-	181,592
Total	2022	661,899	61,452	-	5,121			728,472
Total	2023	608,740	63,560	-	8,849			681,149

KEY MANAGEMENT PERSONNEL SHAREHOLDING MOVEMENTS

The number of ordinary shares in Star Combo Pharma Ltd held by each director and member of key management personnel of the Group during the financial year are as follows:

<i>Group KMP</i>	Balance at beginning of the year	Granted as remuneration during the year	Issued on exercise of options during	Other changes during the year	Balance at end of the year
Mr. Richard Allely	-	-	-	-	-
Dr Ziye Sui	-	-	-	-	-
Mr. Jialong Ding	-	-	-	-	-
Ms. Wei Han	-	-	-	-	-
Mr. Star (Jinxing) Zhang	38,165,510	-	-	-	38,165,510
Ms. Su Zhang	11,448,980	-	-	-	11,448,980
Mr. James Ni	-	-	-	-	-

Directors' Report – Remuneration (continued)**for the year ended 30 June 2023****KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HELD**

The numbers of options to purchase ordinary shares held at the date of this report by each director of Star Combo Pharma Ltd and each of the other key management personnel are listed below. On exercise, each option is convertible into one ordinary share of Star Combo Pharma Ltd. All of the options vested on the date of grant.

	Balance at the beginning of the year		Exercised or lapsed or forfeited during the year		Balance at the end of the year	
	No.	Value. \$	No.	Value \$	No. Exercisable	Value \$
Group KMP						
Mr. Richard Allely	-	-	-	-	-	-
Dr Ziyi Sui	-	-	-	-	-	-
Mr. Jialong Ding	-	-	-	-	-	-
Ms. Wei Han	-	-	-	-	-	-
Mr. Jinxing Zhang	-	-	-	-	-	-
Ms. Su Zhang	-	-	-	-	-	-
Mr. James Ni	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

See Note 22 of the financial statements for further information on share options.

KEY MANAGEMENT PERSONNEL - OTHER RELATED PARTY TRANSACTIONS

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

Rental of Star Combo premises

During the financial year, \$305,219 (2022: \$303,695) was paid to Antoine International Pty Ltd in respect of the rental of Star Combo premises. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director with significant influence over both Antoine International Pty Ltd and Star Combo Pharma Ltd. The total lease liability has been recognised in the financial statements as at 30 June 2023 being \$4,145,467 (2022: \$3,977,254). The total lease liability is made up of \$126,760 current liability (2022: \$134,694) and \$4,018,707 non-current liability (2022: \$3,871,892).

Consultancy services

During the financial year, \$Nil (2022: \$53,167) was paid to Richlink Capital Pty Ltd in respect of consultancy services provided.

KEY MANAGEMENT PERSONNEL LOANS TO / FROM

As at 30 June 2023, Mr. Zhang owed Star Combo Australia Pty Ltd \$9,309 (2022: \$1,418), which was repaid in full by Mr. Zhang on 15 August 2023.

This concludes the Remuneration Report which has been audited.

SHARE OPTIONS RIGHTS OUTSTANDING

As at the date of this report, there are no options outstanding in relation to Star Combo ordinary shares.

Holders of outstanding share options in relation to Star Combo ordinary shares do not have any rights under the share options to participate in any share issue or interest of Star Combo

	Balance at 30 June 2022	Issued during the year	Expired/Forfeited during the year	Options Exercised during the year	Balance at 30 June 2023
Staff Options (Note 1)	920,000	-	(920,000)	-	0
Happy Services (Note 2)	500,000	-	-	(500,000)	0
Total	1,420,000	-	(920,000)	(500,000)	0

Note 1: Exercise Price is \$0.500. Expiry Date is 15 June 2023.

Note 2: Exercise Price is \$0.154. Expiry Date is 28 July 2023. 500,000 Options were exercised on 4 July 2022 after the year-end.

INDEMNITY AND INSURANCE OF OFFICERS**Indemnification**

Under the Star Combo Constitution, unless prohibited by statute, Star Combo indemnifies current and former directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the financial period, Star Combo has paid premiums in respect of contracts insuring the directors and officers of Star Combo against any liability of this nature.

Star Combo has not, during or since the end of the financial period, indemnified or agreed to indemnify an officer or auditor of Star Combo or any related entity against a liability as such by an officer or auditor except to the extent permitted by law.

Insurance premiums

In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of liabilities insured against and the amount of the premiums paid are confidential.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR

G.C.C Assurance Pty Ltd was appointed auditor at the 2022 AGM held on 28 November 2022 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 58.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (G.C.C Assurance Pty Ltd) for non-audit services provided during the financial year are outlined in Note 27 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the relevant professional requirement, including reviewing and auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks and rewards.

ROUNDING OF AMOUNTS

The Company is of a kind referred to the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Act.

On behalf of the directors



Richard Allely
Chairman

29 August 2023



FINANCIAL STATEMENTS

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STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2023**

	Note	2023 \$	2022 \$
Revenue	4	24,700,277	22,880,414
Other income	4	289,765	1,033,071
Cost of sales	5	(19,914,492)	(18,787,817)
Impairment of trade receivables		(31,895)	5,429
Distribution expense		(40,922)	(30,264)
Marketing and selling costs		(486,330)	(610,606)
Administrative expenses		(3,264,859)	(3,902,749)
Litigation settlement		(60,000)	-
Impairment of non-current assets	5	(4,412,660)	(1,459,397)
Finance costs		(186,869)	(171,465)
Foreign exchange gain/(loss)		(46,929)	47,023
Other expenses		-	(85,273)
Loss before income tax		(3,454,915)	(1,081,633)
Income tax benefit/(expense)	6	(548,041)	385,284
Loss for the year		(4,002,955)	(696,349)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Other comprehensive income, net of tax		1,606,774	-
Foreign currency translation of foreign operations		8,137	2,029
Total comprehensive income for the year		(2,388,044)	(694,320)
Total comprehensive income attributable to non-controlling interest		(119,757)	
Total comprehensive income attributable to Members of Star Combo Pharma Ltd		(2,268,287)	(694,320)
Earnings per share			
		Cents	Cents
Basic loss per share (cents)	9	(0.030)	(0.005)
Diluted loss per share (cents)	9	(0.030)	(0.005)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		30 June 2023	30 June 2022
		\$	\$
ASSETS	Note		
Current assets			
Cash and cash equivalents	10	2,987,228	4,392,498
Term deposit investment	10	6,500,000	6,000,000
Trade and other receivables	11	4,298,246	3,179,315
Inventories	12	4,197,672	5,372,069
Current tax assets	6	-	-
Other assets		121,042	136,503
Total current assets		18,104,188	19,080,386
Non-current assets			
Property, plant and equipment	13	19,045,960	19,097,845
Intangible assets and goodwill	14	690,024	699,838
Right-of-use assets	15	3,677,070	3,642,794
Deferred tax	7	709,682	922,508
Total non-current assets		24,122,736	24,362,985
Total assets		42,226,924	43,443,371
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,879,727	3,587,884
Lease liabilities	17	126,760	134,695
Borrowings	18	37,018	35,199
Provisions	19	288,715	250,104
Total current liabilities		4,332,220	4,007,882
Non-current liabilities			
Lease liabilities	17	4,018,707	3,871,892
Borrowings	18	9,166	79,530
Provisions	19	71,819	58,466
Deferred tax	7	535,591	20,569
Total non-current liabilities		4,635,284	4,030,457
Total liabilities		8,967,504	8,038,339
Net assets		33,259,420	35,405,032
EQUITY			
Issued capital	21	67,292,513	67,215,513
Group reorganisation reserve		(25,498,900)	(25,498,900)
Share based payment reserve	22	-	752,260
Asset revaluation reserve		1,606,774	-
FX Reserve		-	(8,137)
Retained earnings/(Accumulated losses)		(10,306,400)	(7,055,704)
		33,093,987	35,405,032
Non controlling interest		165,433	-
Total equity		33,259,420	35,405,032

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Ordinary share capital	Group Reorganisatio n reserve	Share Based Payment reserve	Foreign Currency Translation reserve	Retained earnings/ (Accumulate d Losses)	Non controlling Interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	67,322,393	(25,498,900)	891,321	(10,166)	(6,511,916)		36,192,732
Foreign Currency Translation Reserve	-	-	-	2,029	-		2,029
Loss after income tax for the year	-	-	-	-	(696,349)		(696,349)
Total comprehensive income for the year	-	-	-	2,029	(696,349)		(694,320)
Transactions with equity holders in their capacity as owners:							
Share options issued	-	-	13,500	-	-		13,500
Share options expired	-	-	(152,561)	-	152,561		-
Shares cancelled	(106,880)	-	-	-	-		(106,880)
Balance at 30 June 2022	67,215,513	(25,498,900)	752,260	(8,137)	(7,055,704)	-	35,405,032
Balance at 1 July 2022	67,215,513	(25,498,900)	752,260	(8,137)	(7,055,704)		35,405,032
Other Reserve	-	-	-	8,137	-		8,137
Loss after income tax for the year	-	-	-	-	(4,002,955)		(4,002,955)
Other comprehensive income, net of tax				1,606,774			1,606,774
Total comprehensive income for the year	-	-	-	1,614,911	(4,002,955)		(2,388,044)
Transactions with equity holders in their capacity as owners:							
Share options issued	-	-	-	-	-		-
Share options exercised	-	-	(13,500)	-	13,500		-
Share options expired	-	-	(738,760)	-	738,760		-
Shares issued	77,000	-	-	-	-		77,000
Shares cancelled	-	-	-	-	-		-
Non controlling Interest						165,432	165,432
Balance at 30 June 2023	67,292,513	(25,498,900)	-	1,606,774	(10,306,399)	165,432	33,259,420

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 \$	2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		26,399,2023	25,841,658
Payments to suppliers and employees (inclusive of GST)		(24,666,314)	(25,632,650)
Interest and other income received		128,395	197,344
Interest and other financial cost paid		(164,342)	(215,807)
Government grant and financial support		-	343,347
Income tax received		179,808	-
Net cash from operating activities	25	1,876,750	533,892
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(2,725,577)	(7,294,811)
Purchase of intangible asset		(3,004)	-
Movements in Term Deposits		(500,000)	4,050,411
Net cash used in/(from) investing activities		(3,228,582)	(3,244,400)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		(68,545)	(32,727)
Repayment of lease liabilities		138,881	(136,349)
Interest paid on lease liabilities		(200,774)	0
Proceeds from issue shares		77,000	-
Net cash used in financing activities		(53,438)	(169,076)
Net decrease in cash and cash equivalents		(1,405,270)	(2,879,584)
Cash at the beginning of the financial year		4,392,498	7,272,082
Cash and cash equivalents at end of the financial year	10	2,987,228	4,392,498

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Star Combo Pharma Ltd and its controlled entities.

(A) BASIS OF PREPARATION

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements are presented in Australian dollars which is the Group's functional and presentation currency.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Comparative information and presentation

The Group presents reclassified comparative information, where required, for consistency with the current period's presentation. When required by Accounting Standards, comparative figures have been adjusted to conform changes in presentation for the current financial year.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 26.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded to the nearest dollar.

(B) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or which are subject to common control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the controlled entities is provided in Note 23.

The assets, liabilities and results of all controlled entities are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a controlled entity is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. The Group is in the process of reviewing the accounting policies of controlled entities to identify any changes and adjustments might be necessary to ensure uniformity of the accounting policies adopted by the Group.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(B) PRINCIPLES OF CONSOLIDATION (CONTINUED)

Business combinations

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

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

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

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

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

Goodwill

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

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method);
and
- (iii) the acquisition date fair value of any previously held equity interest;

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

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

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

(C) FINANCIAL INSTRUMENTS

Recognition and measurement

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(C) FINANCIAL INSTRUMENTS (CONTINUED)

Classification and subsequent measurement

Financial assets

Financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(C) FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

The expected credit loss' (ECL) impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

(D) IMPAIRMENT OF ASSETS

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Non-derivative financial assets

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Goodwill

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

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(E) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AUD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AUD at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

(F) GOODS AND SERVICES TAX (GST)

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

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

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

(G) INVENTORIES

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

(H) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(H) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Key estimates and judgements

Impairment – Indefinite life intangibles assets – Living Healthy Brand

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. The directors have assessed the carrying value of the Living Healthy Brand. There has been no noticeable effect on the Living Healthy Brand from COVID-19 and there have been no impairment indicators.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in Note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

(H) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Measurement of fair values

The Group overseas significant fair value measurements required for accounting policies and disclosures. The Group regularly reviews significant unobservable inputs and valuation adjustments and assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of AASB, including the level in the fair value hierarchy in which the valuations should be classified. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).*
- *Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – Intangible assets and goodwill
- Note 15 – Leases
- Note 17 – Lease liabilities
- Note 22 – Share option reserve

(I) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022.

NOTE 2 – CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

The Group's objectives when managing share capital, reserves and retained earnings, which represents the Group's capital, are to:

- Maintain a sustainable debt to equity ratio;
- Generating long-term shareholder value; and
- Ensure that the group can fund its future operations as a going concern.

The Group's potential debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

Financial risk management

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Group uses different methods to measure different types of risk to which it is exposed. There have been no substantive changes in the types of risk the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2 – CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counter parties. The class of assets described as " Trade and other receivables" is considered to be the main source of credit risk related to the Group.

The Group has no formal policy with regards to past due trade receivables and each receivable is evaluated individually by management. Jinxing (Star) Zhang is considered to be central to the Group's credit risk assessment and management procedures given his strong relationships with the customers of the Star Combo Group. Please refer to Note 11 on Expected Credit Loss on trade receivables.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 6 months	6-12 months	1-3 years	3+ years	Total
Trade payables	2,438,719	-	-	-	2,438,719
Borrowings	13,941	13,941	18,302	-	46,184
Leases	63,380	63,380	312,566	3,706,141	4,145,467
Total	2,516,041	77,321	330,868	3,706,141	6,630,371

Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The Group is primarily exposed to this risk on cash and cash equivalents.

(ii) Foreign exchange risk

Foreign exchange risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Foreign currency risk is managed by retaining majority of its cash and payables in Australian currency. Products sales are received in USD and RMB with short term credit terms.

A reasonably possible strengthening (weakening) of RMB (Chinese Yuan) against AUD on 30 June 2023 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

<i>Effect in \$</i>	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening	Weakening
30 June 2023				
RMB (5% movement)	229	(253)	(30,516)	33,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3 – OPERATING SEGMENTS

During the 2023 financial year, the Group operated in two operating segments being Star Combo the business of development, manufacturing, marketing and sales of natural health supplements and skin care products (OEM Division), and Austoyou retail business made up of the Australia-China e-commerce platform that offers over 700 high-demand product lines directly to Chinese health product consumers. The Group has sold to both Australian and China markets during the financial year. In 2023 financial year, the Group operated in the same two operating segments and sold to both Australian and China markets.

Accounting policy

a. Accounting policies adopted

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's management to make decisions about resources to be allocated to the segment and assess its performance. Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

b. Intersegment transactions

An internally determined transfer price is set for all intersegment sales. This price is reset annually and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities; and
- other financial liabilities.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

f. Segment information

(i) Segment performance

	OEM Division \$	Retail Division \$	Total \$
30 June 2023			
Revenue			
External sales	20,729,712	3,947,203	24,676,915
Intersegment sales	23,362	-	23,362
Interest revenue	128,395	-	128,395
Other revenue/income	140,676	20,694	161,370
Total segment revenue and other income	21,022,145	3,967,897	24,990,042
Segment net profit / (loss) from operations	1,303,876	(216,683)	1,087,193
- impairment (note 14)	(4,412,660)	-	(4,412,660)
- depreciation and amortisation	(125,391)	(4,057)	(129,448)
Segment net (loss) from operations before tax	(3,234,175)	(220,740)	(3,454,915)
Reconciliation of segment result to group net loss before tax			
i. Amounts not included in segment result but reviewed by the Board:			
- corporate charges			-
ii. Unallocated items:			
- others			-
Net loss from operations before tax			(3,454,915)

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

f. Segment information (continued)

(i) Segment performance (continued)

	OEM Division \$	Retail Division \$	Total \$
30 June 2022			
Revenue			
External sales	16,177,334	6,672,804	22,850,137
Intersegment sales	30,277	-	30,277
Interest revenue	52,173	47	52,220
Other revenue/income	853,752	127,099	980,851
Total segment revenue and other income	17,113,535	6,799,950	23,913,485
Segment net profit / (loss) from operations	1,489,849	(613,315)	(876,534)
- impairment of goodwill (note 14)	-	(1,459,397)	(1,459,397)
- depreciation and amortisation	(453,031)	(45,739)	(498,770)
Segment net profit / (loss) from operations before tax	1,036,818	(2,118,451)	(1,081,633)
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by the Board:			
- corporate charges			-
ii. Unallocated items:			
- others			-
Net loss from operations before tax			(1,081,633)

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

f. Segment information (continued)

(ii) Segment assets

	OEM Division \$	Retail Division \$	Total \$
30 June 2023			
Segment assets			
Segment assets include	41,104,028	413,215	41,517,242
Reconciliation of segment assets to group assets			
Intersegment eliminations			
Unallocated assets:			
- deferred tax assets			709,682
Total group assets			42,226,924

	OEM Division \$	Retail Division \$	Total \$
30 June 2022			
Segment assets			
Segment assets include	41,296,074	1,224,789	42,520,863
Reconciliation of segment assets to group assets			
Intersegment eliminations			
Unallocated assets:			
- deferred tax assets			922,508
Total group assets			43,443,371

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

f. Segment information (continued)

(iii) Segment liabilities

	OEM Division \$	Retail Division \$	Total \$
30 June 2023			
Segment liabilities			
Segment liabilities include	8,331,878	100,034	8,431,913
Reconciliation of segment assets to group liabilities			
Intersegment eliminations			
Unallocated liabilities:			
- deferred tax liabilities			535,591
- current tax liabilities			-
Total group liabilities			8,967,504

	OEM Division \$	Retail Division \$	Total \$
30 June 2022			
Segment liabilities			
Segment liabilities include	7,487,586	530,184	8,017,770
Reconciliation of segment assets to group liabilities			
Intersegment eliminations			
Unallocated liabilities:			
- deferred tax liabilities			20,569
- current tax liabilities			-
Total group liabilities			8,038,339

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 – REVENUE AND OTHER INCOME

	Consolidated	Consolidated
	2023	2022
	\$	\$
Sales of goods	24,700,277	22,880,414
Total revenue	24,700,277	22,880,414
Other revenue	161,370	980,851
Interest income	128,395	52,220
Total other income	289,765	1,033,071

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Star Combo manufactured products	Customers obtain control of products when the goods are delivered to their premises or customers obtain control of products when the customers arrange the pick of products at the Group's warehouse. Invoices are generated at that point in time. Invoices are paid within the agreed trading terms. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e., no cash refunds are offered.	Revenue is recognised when the goods are delivered to the customers at their premises or when the goods are dispatched from the Group's warehouse. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
Austoyou retail products	The goods are delivered to the customers by a third-party delivery company after the customer confirms the order and makes payment. Customers obtain control of products when the goods are dispatched from the Group's warehouse. Customers pay the delivery costs and track the delivery through the delivery company's website with a tracking reference number. If the goods are lost in transit, the delivery company will provide a certain amount of compensation to the customer up to a capped amount.	Revenue is recognised when the goods are dispatched from the Group's warehouse.
Revenue from contracts with customers (Terry White Chemmart)	Star Combo has an agreed arrangement to sell the Living Healthy Brand in Australia exclusively through Terry White Chemmart's nominated distributor.	Revenue is recognised when the goods are dispatched from Star Combo's warehouse

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 4 – REVENUE AND OTHER INCOME (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market (country or region). Revenue has been disaggregated on the basis of the economic factors that arise from operating in more than one geographical market.

AUD \$	2023		2022	
	Star Combo	Austoyou retail	Star Combo	Austoyou retail
Revenue				
Australia	20,336,271	148,629	15,714,643	955,279
China	416,803	3,798,574	492,967	5,717,525
Total revenue	20,753,074	3,947,203	16,207,610	6,672,804

Other income

Other income is recognised when the significant risks and rewards have transferred.

Other income in 2023 includes bank interest income of \$128,395, rental income of \$68,181 and \$55,953 of Employee paid parental leave from Centrelink (FY22: \$0.9m - reversal of over accrued deferred consideration year 2 for the acquisition of Austoyou business; and \$0.3m government grant and financial support).

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

NOTE 5 – EXPENSES

		Consolidated	Consolidated
	Note	2023 \$	2022 \$
<i>Loss before income tax from continuing operations includes the following specific expenses:</i>			
<i>Cost of sales</i>			
Materials		15,990,263	15,257,515
Employee benefits		1,262,626	1,372,676
Depreciation on Plant and Equipment		425,407	135,441
Depreciation on Right-of-Use Asset		185,505	149,251
Other direct cost allocated		1,763,373	1,231,091
Other cost of sales		228,318	641,844
Write-down of inventory	12	59,000	-
		19,914,492	18,787,817
<i>Other expenses</i>			
Depreciation and amortisation		129,448	498,770
Impairment of non-current assets	13	4,412,660	-
Employee benefits		1,551,073	1,848,722
Superannuation expenses		192,103	209,984
<i>Impairment</i>			
Intangibles & Goodwill	14	-	1,435,116
Right of Use asset	15	-	24,281
Chongqing company close-down	23	-	85,273

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6 – INCOME TAX EXPENSE

		Consolidated	Consolidated
	Note	2023	2022
		\$	\$
(a) Components of the income tax expense			
Current tax expense	6(b)	-	41,179
Deferred tax (benefit)/expense	6(d)	548,041	(426,463)
		548,041	(385,284)
Reconciliation of prima facie income tax expense			
The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to income tax as follows:			
(b)			
Loss from continuing operations before income tax expense			
Prima facie tax payable at 25% (2022:25%)		(863,729)	(270,408)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Under-provision for income tax in prior year		-	41,179
Non-deductible expenses		1,671	1,914
Non-assessable income		-	(26,720)
(Recognition) / De-recognition of previously recognised deferred tax assets		-	(416,904)
Tax losses not recognised for this year		1,410,098	285,655
Income tax (benefit)/expense		548,041	(385,283)
Income tax (receivable)/payable – current			
(c) Income tax receivable		-	-
Deferred tax – non-current			
(d) Deferred tax asset		709,682	922,509
Deferred tax liabilities		(535,591)	(20,569)
		(174,091)	901,940

Accounting policy

Tax consolidation

The Company and its wholly-owned subsidiaries have formed a tax-consolidated group and are therefore taxed as a single entity from 1 February 2018. The head entity within the tax-consolidated group is Star Combo Pharma Ltd. Austoyou Group Pty Ltd and Koala Mall Pty Ltd joined the tax-consolidated group on 19 February 2019. On 24th August 2022 Austoyou Group Pty Ltd left the tax-consolidated group. The members of the tax-consolidated group are identified in Note 23. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 7 DEFERRED TAX

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. The benefits for tax losses will only be obtained if:

- The Group derives future taxable amounts of a nature and an amount sufficient to enable the temporary difference or tax loss to be utilised.
- The Group continues to comply with the conditions or utilisation imposed by the law. And;
- No change in tax legislation adversely affects the Group in realising the benefits.

The Group is of the view that it is not probable that unused tax losses will be fully utilised within the next three years and have accordingly not recognised the losses as part of the deferred tax assets at the current reporting period.

	Note	Consolidated	Consolidated
		2023	2022
		\$	\$
Deferred tax assets			
Tax Losses carried forward*		-	-
Temporary differences attributable to:			
Provisions		170,077	389,146
S440 expenditure		416,898	442,814
Other		122,707	90,548
Total deferred tax assets		709,682	922,508
Deferred tax assets not recognised in the statement of*		4,350,587	3,056,946

*Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

	Note	Consolidated	Consolidated
		2023	2022
		\$	\$
Deferred tax liabilities			
Intangibles		-	8,813
Revaluation of property		535,591	-
Other		-	11,756
Total deferred tax liabilities		535,591	20,569

NOTE 8 – DIVIDENDS

Dividends paid during the financial year were as follows:

	Note	Consolidated	Consolidated
		2023	2022
		\$	\$
Dividends			
Dividends per ordinary share paid for the year		Nil	Nil
Franking Credits			
Franking credits available for subsequent financial years based on a tax rate of 25% (2022: 25.0%)		2,193,390	2,193,390

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 9 – EARNINGS PER SHARE

Note	Consolidated	Consolidated
	2023	2022
	\$	\$
Basic earnings per share (cents)	(0.030)	(0.005)
Diluted earnings per share (cents)	(0.030)	(0.005)
	2023	2022
	\$	\$
Reconciliation of earnings used in calculating earnings per share		
Net loss for the year	(4,002,955)	(696,349)
	2023	2022
	\$	\$
Reconciliation of shares used in calculating earnings per share		
Basic and diluted earnings per share		
Opening balance of shares for the year	134,582,901	134,792,469
Shares (cancelled)/issued during the year	500,000	(209,568)
Closing balance of shares for the year	135,082,901	134,582,901
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	135,082,901	134,582,901

NOTE 10 – CASH AND CASH EQUIVALENTS

	Consolidated	Consolidated
	2023	2022
	\$	\$
Cash at bank and on hand	2,987,228	4,392,498
Term Deposits <3months	-	-
Cash and Cash Equivalents	2,987,228	4,392,498
Term Deposits >3months	6,500,000	6,000,000

Accounting policy

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

Star Combo has invested \$6m short-term deposit with Westpac bank on 31 January 2023 subsequently rolling over quarterly. Star Combo also invested \$0.5m short-term deposit with Commonwealth bank on 15 May 2023.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11 – TRADE AND OTHER RECEIVABLES - CURRENT

	Consolidated	Consolidated
	2023	2022
	\$	\$
Current		
Trade receivables	4,005,979	2,202,608
Provision for impairment	(218,913)	(218,913)
Other receivables	278,456	760,759
Deposit paid for plant under development	223,415	433,443
Amounts receivable from related parties (Note 24)	9,309	1,418
Trade and other receivables	4,298,246	3,179,315
Provision for impairment at the beginning of the year	(218,913)	(658,194)
Decrease/(Increase) for the year	-	439,281
Provision for impairment at 30 June 2023	(218,913)	(218,913)

Accounting policy

The Group applies the AASB9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries that the Group sells to.

At 30 June 2023 the lifetime expected loss provision for trade receivables is as follows:

	Sales payments outstanding					Total
	as current	after 30 days	after 60 days	after 90 days	after 180 days	
Receivables Outstanding	2,691,395	218,276	339,813	555,986	200,510	4,005,979
Default rate	0.79%	1.00%	2.41%	3.85%	90.95%	
Additional provision						
Lifetime ECL	21,262	2,174	8,188	36,292	150,997	218,913

At 30 June 2022 the lifetime expected loss provision for trade receivables was as follows:

	Sales payments outstanding					Total
	as current	after 30 days	after 60 days	after 90 days	after 180 days	
Receivables Outstanding	1,162,285	650,100	156,672	73,859	151,625	2,194,542
Default rate	3.43%	2.01%	4.56%	9.74%	100.00%	3.43%
Additional provision						
Lifetime ECL	39,890	13,057	7,146	7,195	151,625	218,913

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 11 – TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

Accounting policy

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

The financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or being more than 180 days past due.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

NOTE 12 – INVENTORIES

	2023	Consolidated
	2022	2022
	\$	\$
Raw materials	4,023,582	4,625,986
Finished goods	233,090	956,138
Write-down of inventory	(59,000)	(210,055)
Inventories	4,197,672	5,372,069

Inventories recognised as an expense during the year ended 30 June 2023 amounted to \$16,049,263 (2022: \$15,257,515).

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 12 – INVENTORIES (CONTINUED)

Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

NOTE 13 – PROPERTY, PLANT & EQUIPMENT

Consolidated	Land \$	Plant and equipment \$	Leasehold Improvements \$	Plant Under development \$	Total \$
At 30 June 2022					
Cost	3,907,635	3,090,111	1,006,563	13,078,052	21,082,361
Accumulated depreciation	-	(1,825,626)	(158,890)	-	(1,984,516)
Net book amount	3,907,635	1,264,485	847,673	13,078,052	19,097,845
Year ended 30 June 2022					
Opening net book amount	3,907,635	1,349,084	869,409	4,460,660	10,586,788
Additions	-	105,502	-	8,617,392	8,722,894
Disposals	-	-	-	-	-
Depreciation	-	(190,101)	(21,736)	-	(211,837)
Closing net book amount	3,907,635	1,264,485	847,673	13,078,052	19,097,845
At 30 June 2023					
Cost	3,907,635	4,925,954	2,281,969	8,278,262	19,393,819
Revaluation - independent	2,142,365	-	-	-	2,142,365
Accumulated depreciation	-	(2,278,257)	(211,967)	-	(2,490,224)
Net book amount	6,050,000	2,647,697	2,070,001	8,278,262	19,045,960
Year ended 30 June 2023					
Opening net book amount	3,907,635	1,264,485	847,673	13,078,052	19,097,845
Additions	-	216,445	107,939	2,401,194	2,725,578
Asset write off	-	-	-	(4,412,660)	(4,412,660)
Milk powder project completed	-	1,620,857	1,167,466	(2,788,324)	-
Revaluation	2,142,365	-	-	-	2,142,365
Disposals	-	(1,459)	-	-	(1,459)
Depreciation	-	(452,631)	(53,077)	-	(505,708)
Closing net book amount	6,050,000	2,647,697	2,070,001	8,278,262	19,045,960

Accounting policy

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

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

Depreciation is calculated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are as follows:

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 13 – PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Leasehold improvements	4–5%
Plant and equipment	5–33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

Plant Under Development

The Group has completed the development of a powder production and packaging facility at the premises in Smithfield. The powder production and packaging line is ready for use since July 2022.

Under development is not depreciated during the financial year. It commences the depreciation when the development project is completed. The development is substantially completed and waiting for TGA approval. It is expected in the next 6 months. A substantial amount of the plant was destroyed by fire in October, 2022 and has been written off.

Land

The Group paid \$3.9m for the purchase of land located at 165 Woodpark Road Smithfield and associated costs in 2020 and 2021 financial year. The site totals 3,660 m² and is located adjacent to the Company's existing TGA-licensed manufacturing facility. The property was valued at \$6,050,000 by Kenny and Good (a firm of certified practising valuers) on 23 February 2023. The valuation was predominantly based on a comparison to similar sales in the area.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14 – INTANGIBLE ASSETS AND GOODWILL

	Brand Name Living Healthy	Brand Name ATY&KOM	Technology Platform	Customer Relation- ships	Licences	ERP	Goodwill	Total
	\$	\$	\$	\$	\$	\$	\$	\$
At 30 June 2023								
Cost	667,591	1,325,287	733,602	432,114	163,020	64,092	-	3,385,706
Accumulated amortisation	-	(441,763)	(489,067)	(288,077)	-	(41,659)	-	(1,260,566)
Impairment	-	(883,524)	(244,535)	(144,037)	(163,020)	-	-	(1,435,116)
Net book amount	667,591	-	-	-	-	22,433	-	690,024
Year ended 30 June 2023								
Opening net book amount	664,587	-	-	-	-	35,251	-	699,838
Additions	3,004	-	-	-	-	-	-	3,004
Disposals	-	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	(12,818)	-	(12,818)
Impairment	-	-	-	-	-	-	-	-
Closing net book amount	667,591	-	-	-	-	22,433	-	690,024
At 30 June 2022								
Cost	664,587	1,325,287	733,602	432,114	163,020	64,092	6,337,772	9,720,474
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Amortisation	-	(441,762)	(489,068)	(288,076)	-	(28,841)	-	(1,247,747)
Impairment	-	(883,525)	(244,534)	(144,038)	(163,020)	-	(6,337,772)	(7,772,889)
Net book amount	664,587	-	-	-	-	35,251	-	699,838
Year ended 30 June 2022								
Opening net book amount	664,587	1,016,053	391,255	230,460	163,020	48,069	-	2,513,444
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Amortisation	-	(132,528)	(146,721)	(86,422)	-	(12,818)	-	(378,489)
Impairment	-	(883,525)	(244,534)	(144,038)	(163,020)	-	-	(1,435,117)
Closing net book amount	664,587	-	-	-	-	35,251	-	699,838

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 14 – INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Accounting policy

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The Group considers that both the brand name of Living Healthy and the licences of Austoyou to operate the e-commerce business have indefinite useful lives. The licenses have the potential to be renewed indefinitely which the Group plans to utilise. The Living Healthy brand is made up of list of product registrations, which have the potential to be renewed indefinitely and which the Group plans to utilise.

The followings intangible assets have been fully impaired:

- Brand names (Austoyou and Koala Mall)
- Technology platform (Austoyou)
- Customer relationships (Austoyou)

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Cash Generating Units

Intangibles were allocated to cash-generating units which are based on the Group's reporting segments:

	Consolidated					
	2023			2022		
	Goodwill	Intangibles	Total	Goodwill	Intangibles	Total
	\$	\$	\$	\$	\$	\$
Star Combo CGU	-	690,024	690,024	-	699,838	699,838
Austoyou CGU	-	-	-	-	-	-
	-	690,024	690,024	-	699,838	699,838

Impairment review

A comprehensive impairment review was conducted at 30 June 2023. The recoverable amount of the intangible assets is determined based on net present value of future cash inflows, using management budgets and forecasts for a five-year period, after adjusting for central overheads.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 15 – LEASES

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group has used 5% as the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

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

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

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

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

Note 15 – LEASES (CONTINUED)

The Group leases the main site at Smithfield for the manufacturing, the under-production Powder Production and Packaging Facility and the expansion project. It is customary for lease contracts to provide for payments to increase each year by inflation or/and in others to be reset periodically to market rental rates. The Smithfield lease contract will incur periodic market rental uplifts.

It is customary for lease contracts to include extension options. The Group has chosen to use the extension option within their transition calculation. There are no immediate plans to leave the properties being leased and it is reasonable to presume the Group will continue to extend per the option.

Right-of-use assets

	Buildings	Total
	\$	\$
Costs		
At 1 July 2022	4,457,939	4,579,939
Additions	273,430	273,430
Lease modifications	-	-
Impairment	-	-
At 30 June 2023	4,731,369	4,731,369

Accumulated depreciation

At 1 July 2022	(815,145)	(815,145)
Charge for the year	(239,154)	(239,154)
At 30 June 2023	(1,054,299)	(1,054,299)

	Buildings	Total
	\$	\$
Carrying amount		
At 30 June 2022	3,642,794	3,642,794
At 30 June 2023	3,677,070	3,677,070

	Consolidated	Consolidated
	2023	2022
	\$	\$
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	192,415	225,910
Interest expense on lease liabilities	200,002	175,315
Expense relating to leases of low value assets	15,829	48,230
Impairment loss – Ashfield retail store	-	24,281

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 16 – TRADE AND OTHER PAYABLES - CURRENT

	Consolidated	Consolidated
	2023	2022
	\$	\$
Current		
<i>Unsecured liabilities:</i>		
<i>Trade payables</i>	2,438,719	2,337,329
<i>Sundry payables and accrued expenses</i>	1,441,008	1,250,556
	3,879,727	3,587,884

Accounting policy

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability, with the amounts normally paid within 30-60 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 17 – LEASE LIABILITIES

	Consolidated	Consolidated
	2023	2022
	\$	\$
Maturity analysis		
Year 1	126,760	134,695
Year 2	147,374	119,757
Year 3	165,192	135,146
Year 4	184,214	151,586
Year 5	204,511	169,138
Onwards	3,317,416	3,296,265
	4,145,467	4,006,586
Less: unearned interest	-	-
	4,145,467	4,006,586
Analysed as:		
Current	126,760	134,695
Non-current	4,018,707	3,871,892
	4,145,467	4,006,586

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 18 – BORROWINGS

The book value of loans and borrowings are as follows:

	Consolidated	Consolidated
	2023	2022
	\$	\$
Current		
Finance loan ERP system	17,743	16,709
Finance loan Motor Vehicle	19,275	18,490
	37,018	35,199
Non-current		
Finance loan ERP system	9,166	26,741
Finance loan Motor Vehicle	-	52,789
	9,166	79,530

NOTE 19 – PROVISIONS

	Consolidated	Consolidated
	2023	2022
	\$	\$
Current		
Employee benefits – Current	288,715	250,104
	288,715	250,104
Non-current		
Employee benefits – Non Current	71,819	58,466
	71,819	58,466

NOTE 20 – FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, account receivable and payable, deferred consideration and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated	Consolidated
		2023	2022
		\$	\$
Financial assets			
Amortised cost			
Cash and cash equivalents	10	2,987,228	4,392,498
Term Deposits >3months	10	6,500,000	6,000,000
Trade and receivables	11	4,298,246	3,179,315
Total financial assets at amortised cost		13,785,474	13,571,813
Financial Liabilities			
Amortised cost			
Trade and other payables	16	3,879,727	3,587,884
Borrowings	18	46,184	114,729
Lease liabilities	17	4,145,467	4,006,586
Total other financial liabilities at amortised cost		8,071,379	7,709,199

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 21 – ISSUED CAPITAL

	Consolidated	Consolidated
	2023	2022
	\$	\$
135,082,901 fully paid ordinary shares (2022: 134, 582,901)	67,292,513	67,215,513
	Value of shares	Value of shares
	\$	\$
<i>Movement in fully paid ordinary shares</i>		
<i>Opening balance at 1 July 2022</i>	67,215,513	67,322,393
<i>500,000 Share option exercised</i>	77,000	
<i>Shares cancelled</i>	-	(106,880)
Closing balance at 30 June 2023	67,292,513	67,215,513

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitles to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value.

NOTE 22 – SHARE OPTION RESERVE

Star Combo Pharma Ltd has not issued share options to either employees and consultants (non-employees) during the 2023 financial year and there are no options on issue over the Group's share capital as at 30 June, 2023.

	Consolidated	Consolidated
	Share options	Share based
	Number	payment
		reserve
		\$
Opening reserve 1 July 2021	1,110,000	891,321
Expense in the year	-	-
Granted to employees	-	-
Granted to non-employees	500,000	13,500
Exercised	-	-
Forfeited	-	-
Expired	(190,000)	(152,561)
Closing reserve 30 June 2022	1,420,000	752,260
Opening reserve 1 July 2022	1,420,000	752,260
Expense in the year	-	-
Granted to employees	-	-
Granted to non-employees	-	-
Exercised	(500,000)	(13,500)
Forfeited	(920,000)	(738,760)
Expired	-	-
Closing reserve 30 June 2023	-	-

The expected dividend yield for all options granted in FY 2023 was \$nil. The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the volatility of comparable listed entities, which may not be the actual outcome.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 22 – SHARE OPTION RESERVE (CONTINUED)

Accounting policy

Equity-settled share-based compensation benefits may be provided to contractors or employees in exchange for the rendering of services. The cost of equity-settled transactions is measured at fair value on grant date. Grant date is the date that both contracting parties have a clear understanding of the terms and conditions attached to the share-based payment arrangement. Fair value is independently determined using the binomial option valuation method. The cost of the payment is charged to the profit and loss over its vesting period, being the period in which the service is rendered. Where non-market-based vesting, conditions are not satisfied and the underlying equity instrument lapses, is cancelled or forfeited, the amount previously charged to the profit and loss is credited back.

NOTE 23 – INTERESTS IN CONTROLLED ENTITIES

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
		2023	2022
CoStar Pharma Laboratory Pty Ltd	Australia	100%	100%
Star Combo Australia Pty Ltd	Australia	100%	100%
Chongqing Lingkang Business Co., Ltd.	China	-	-
Austoyou Group Pty Ltd	Australia	51%	100%
Koala Mall Pty Ltd	Australia	51%	100%

The registered office of Star Combo Pharma Limited is 171-177 Woodpark Road, Smithfield NSW Australia.

NOTE 24 – RELATED PARTY TRANSACTIONS

Key management personnel

Any person having authority or responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group are considered as key management personnel.

Disclosures relating to key management personnel are set out in the Directors' report pages 13-16.

	Consolidated	Consolidated
	2023	2022
	\$	\$
Remuneration of Directors and Key management Personnel		
Short-term employee benefits	625,740	661,899
Long-term employee benefits	8,849	5,121
Post-employment benefits	63,560	61,452
	698,149	728,472

Controlled entities

Detailed of the percentage of ordinary shares held in controlled entities is disclosed in Note 23. All inter-company loans and balances are eliminated on consolidation. These loans are all interest free, with no set repayment terms.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 24 – RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with other related parties

Rental of Star Combo premises

During the financial year, \$305,219 (2022: \$303,695) was paid to Antoine International Pty Ltd in respect of the rental of Star Combo premises. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director with significant influence over both Antoine International Pty Ltd and Star Combo Pharma Ltd. The total lease liability has been recognised in the financial statements as at 30 June 2023 being \$4,145,467 (2022: \$4,006,586). The total lease liability is made up of \$126,760 current liability (2022: \$134,695) and \$4,018,707 non-current liability (2022: \$3,871,892).

Related party receivables/payables

As at 30 June 2023, Mr Star Zhang owed Star Combo Australia Pty Ltd \$9,309.16 (2022: \$1,418), which was repaid in full by Mr Star Zhang on 15 August 2023.

NOTE 25 – NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated	Consolidated
	2023	2022
	\$	\$
Loss for the year	(4,002,955)	(696,349)
Non-cash and non-operating cash items:		
Depreciation and amortisation	518,526	816,237
Impairment of non-current assets	4,412,660	-
Impairment of goodwill	-	1,435,116
Impairment on trade and other receivables (AASB 9)	31,895	(5,429)
Impairment on RUA	(34,276)	24,281
Other income due to reduction in deferred consideration	-	(106,880)
Unrealised foreign exchange gain	8,137	2,029
Gain/loss of disposal asset	1,459	2,144
Liquidation loss-ChongQing subsidiary	-	85,273
Share base payment	-	13,500
Finance cost - Lease liabilities	200,744	-
Deferred tax on asset revaluation reserve	(535,591)	-
Non controlling interest	165,433	-
Changes in assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(1,150,826)	(285,424)
Decrease / (Increase) in inventories	1,174,398	(869,563)
Decrease / (Increase) in deferred tax assets	727,849	(426,463)
Decrease in other assets	15,461	20,160
Increase in provisions	51,964	34,730
Increase in income tax payables	-	41,179
Increase / (Decrease) in trade and other payables	291,844	449,351
	1,876,750	533,892

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 26 – PARENT COMPANY INFORMATION

The following information has been extracted from the books and records of the financial information of the parent entity, being Star Combo Pharma Ltd, set out below and has been prepared in accordance with Australian Accounting Standards.

	Consolidated	Consolidated
	2023	2022
	\$	\$
Financial Position		
Assets		
Current assets	7,738,384	7,772,846
Non-current assets	44,373,457	46,350,210
Total assets	52,111,841	54,123,056
Liabilities		
Current liabilities	423,850	348,128
Non-current liabilities	588,948	769,675
Total liabilities	1,012,798	1,117,803
Net assets	51,099,043	53,005,254
Equity		
Issued capital	67,292,514	67,215,514
Share based payment reserve	-	752,260
Asset revaluation reserve	1,606,774	-
Retained Earnings	(17,800,245)	(14,962,319)
Total equity	51,099,043	53,005,254
Financial Performance		
Loss for the year	(2,388,044)	(694,320)
Total Comprehensive income	(2,388,044)	(694,320)

a) Explanation of loss for the financial year

During the financial year ended 30 June 2023, the Group has written off \$4.41M of plant damaged by the fire accident.

b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2023 or 2022.

c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any commitments or contingent liabilities as at 30 June 2023 or 30 June 2022.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTE 27 – AUDITOR’S REMUNERATION

	Consolidated	Consolidated
	2023	2022
	\$	\$
Auditors of the Group – G.C.C Assurance (FY22 BDO) and related network firms		
Audit and review of financial statements of the Group	47,000	152,750
Non-audit services		
Taxation compliance services	-	31,502
Total services provided by G.C.C Assurance (FY22 BDO)	47,000	184,252

NOTE 28 – COMMITMENTS AND CONTINGENCIES

Commitments

	Consolidated	Consolidated
	2023	2022
	\$	\$
Capital commitments:		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant, and equipment	-	464,650

Contingencies

a) **Contingent Liabilities**

From time to time, and in the ordinary course of business, claims arise against the group including claims relating to product and general liability. The group currently has one such claim which is being defended. Advice from legal counsel indicates that it is not practicable to estimate the potential liability, if any, at this time.

b) **Contingent Asset**

The financial statements include a write-down of assets (\$4.41m) that were destroyed as the result of the Factory #2 fire in October 2022. The Australian Accounting Standards require the group to write down the carrying value of these destroyed assets pending the outcome of a (yet to be determined) insurance claim. The proceeds of this claim (when finalised) will be brought to account and will represent an offset to this write down to the extent of the amount received.

NOTE 29 – EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances have arisen since the financial year ended on 30 June 2023 which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

STAR COMBO PHARMA LTD (ABN: 38 615 728 375) AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Allely', with a large, stylized initial 'A'.

Richard Allely
Chairman
29 August 2023
Sydney

AUDITOR’S INDEPENDENCE DECLARATION

STAR COMBO PHARMA LIMITED AND ITS CONTROLLED ENTITIES

ABN 39 615 728 375

Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001.

In accordance with s 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Star Combo Pharma Limited. As the lead auditor for the review of Star Combo Pharma Limited and its controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

GCC Business & Assurance Pty Ltd



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GCC Business and Assurance Pty Limited
Graeme Green FCA
Director
(Authorised Audit Company No. 307963)

Dated: 15 August 2023

STAR COMBO PHARMA LIMITED AND CONTROLLED ENTITIES
ABN 39 615 728 375

INDEPENDENT AUDITOR'S REPORT

To the members of Star Combo Pharma Limited

Opinion

We have audited the financial report of Star Combo Pharma Limited and its controlled entities ("the Group") which comprises the statement of financial position as at 30 June 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies information and the directors' declaration.

In our opinion, the accompanying financial report of Star Combo Pharma Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Star Combo Pharma Limited and controlled entities' financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June, 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Description of Key Audit Matter	How Our Audit Addressed the Key Audit Matter
<p>1. Assets of \$4.41 million were destroyed in a factory fire in October 2022.</p> <p>All assets damaged by the fire were fully written off.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> i. Inspected damaged site. ii. Reviewed the groups records and depreciation schedules to ensure all damaged assets are fully impaired. iii. Reviewed adequacy of disclosures included in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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Auditor's Responsibility for the Audit of the Financial Report (continued)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in page 13-16 of the directors' report for the year ended 30 June 2023. In our opinion, the Remuneration Report of Star Combo Pharma Limited and controlled entities, for the year ended 30 June 2023, complies with section 300A of the Corporations Act 2001.

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Report on the Remuneration Report (continued)

Responsibilities

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

GCC Business + Assurance Pty Ltd

GCC Business and Assurance Pty Ltd
Authorised Audit Group No. 307963



Graeme Green
Director

Dated: 29 August 2023