

Mediland Pharm Limited

ABN 83 628 420 824

Annual Financial Report for the Year Ended - 30 June 2019

Chairman's Letter

Dear Shareholders,

It is with pleasure that the Board of Directors (the "Board") of Mediland Pharm Limited (the "Company" or "Mediland Pharm") presents the first Annual Report after the Company's listing on the Australian Securities Exchange in February 2019. The Board and the management team have worked diligently to carry out the strategic plans that were outlined in the Prospectus for our listing.

Mediland Pharm was founded as a family business in 2002 and has grown to become a market leading retailer servicing the Chinese inbound tourism sector in Australia. Since listing of the Company, the Board has worked closely with the management team to maintain and build revenues from these activities. We have been actively engaged in setting and providing oversight of long-term strategic priorities, including instituting initiatives to drive profitable growth, and building long-term shareholder value whilst maintaining the high standards of corporate governance that our shareholders expect.

Over the past few months since listing, the Company has made significant progress on fulfilling our goals as outlined in the Prospectus and diversifying our revenue base as a result. On 18 April 2019, we opened our first New Zealand retail store in Auckland, which turned over more than \$1 million in the first month of trading. The planned phased acquisition of Ian's Health Lounge and the associated online platform has progressed well and has equipped Mediland Pharm with the infrastructure to reach out to new customers in China, and to continue the association with our customers once they return to China. The on-line platform has already been implemented in our Sydney store, and has achieved early repeat sales, and we aim to replicate this within all our stores. The next phase of the Ian's Health Lounge acquisition process, which comprises purchase of the China-based retail stores, is expected to complete before the end of December 2019. In addition, the Company is now offering our own branded health supplement products and is developing our own new products, containing clean and environmentally friendly ingredients sourced from Australia and New Zealand.

With the proceeds of the initial public offering, the Company is refurbishing the existing Australian stores commencing with the Gold Coast, where the Company has leased new larger premises, which is currently undergoing a fit-out. This is expected to be completed by late 2019. In Sydney, we expect to open a new flagship store by October 2019 in the CBD, to further expand the Ian's Health Lounge's brand.

The Board and management are cognisant of the international political tensions and their potential to affect Mediland Pharm's revenue growth in the short term. The Company intends to address this by diversifying our business model, whilst still retaining our aim of providing all our customers with memorable shopping experiences both directly via the visit to its retail stores and through the on-line shopping platform of Ian's Health Lounge.

The Company has already proactively instituted the development of new relationships with key stakeholders to target large incentive groups to realise our aim of expansion and diversification. In August 2019 the first of these incentive groups, comprising approximately 2000 people, visited our Sydney and Gold Coast stores, which provided an encouraging boost to Mediland Pharm's revenues. We plan to build on and expand these initiatives in the coming financial year.

The Board continues to be excited about the business of Mediland Pharm and its growth prospects. The Company has a strong and profitable business underpinned by a highly skilled

and experienced management team with long-term strategic partnerships, leveraging the rising income levels in China and the continued strong interest in inbound tourism from China to Australia and New Zealand, that continues despite the current international political environment.

On behalf of the Board, I would like to thank all Shareholders for your interest and ongoing support, and I look forward to Mediland Pharm's on-going growth and profitability into the future.

Yours faithfully



Dr Peter French
Chairman

Forward looking statements

This Letter contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. These forward looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company.

The Board cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Letter will occur and investors are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Letter. The Company does not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Letter, except where required by law.

Operating and Financial Review

Mediland Pharm Limited (referred to hereafter as the "Company") and the entities it controlled has recorded revenue from continuing operations of \$30,661,259 (2018 \$34,083,675) and a net loss for the year of \$11,344 (2018 profit of \$3,428,033).

In FY2019 the absence of incentive groups and a lower average spend per store visitor (largely attributed to the negative sentiment created by the current international political environment) largely explains the 10% reduction in revenue. In FY 2018, Mediland Pharm secured its first ever incentive group following refurbishment of our Sydney store. This was not repeated until August this year, when we attracted two incentive groups comprising approximately 2000 delegates to the Sydney and Gold Coast stores.

Whilst cost of sales was 15% down on the prior year, the gross profit was 9% down on prior year. The significant decline in profitability results principally from significant one-off costs associated with the ASX listing. In addition, there was an increase in employee benefit expenses and share-based payment expenses due to the award of shares in the public company to employees and directors.

The Directors note that the cash at hand was \$12,047,350 as at 30 June 2019.

Mediland's Accomplishments during 2019

February 2019

Initial Public Offering (IPO)
Officially admitted to the
Australian Securities
Exchange after 17 years of
trading in Australia as a
private company, on 22
February 2019.



MEDILAND

Pharm Limited

April 2019

Sponsored Corporate Event
for Shareholders - Joker Xue
concert attended by
approximately 10,000
people at Qudos Arena in
Sydney.



April 2019

Opened our doors to NZ
customers at our
Newmarket store in
Auckland.



MEDILAND

Pharm Limited

April 2019

New and bigger premises secured for our Gold Coast Store. This store will include an Ian's Health Lounge section, as will our Sydney and Melbourne stores.



July 2019

First stage of Ian's Health Lounge transaction was completed. Direct shop to open on Castlereagh Street later this year.



We have e-commerce and shops for marketing our brand.



伊恩国际
— A SUBSIDIARY OF —
MEDILAND
Pharm Limited

July 2019

Mediland's sponsorship of Sydney FC for a friendly play-off against Paris Saint-Germain at Suzhou stadium, China. The game attracted television audience of over 400 million households.



August 2019

Launch of Mediland's own branded products



MEDILAND

Pharm Limited



Outlook for 2020

Management and the Board of the Company have taken several steps to diversify the revenue base of the company. These include:

- Opening of a store in Auckland;
- Commencement of the staged acquisition of Ian's Health Lounge and their online platform;
- Store refurbishment and increase in floorspace at certain locations;
- A new flagship "Ian's Health Lounge" store to open in the Sydney CBD;
- Development of the Company's own branded health and wellness products; and
- Addition of new products – these have been carefully selected to enhance the in-store range, but more importantly to appeal to the online shoppers who are already utilising and purchasing via the online platform.

Directors	Jhon Shen (Executive director) Yeshween Mudaliar (Managing director) Peter French (Non-executive director and Chairman) Tracey Cray (Non-executive director) Theo Renard (Non-executive director)
Company secretary	Indira Naidu
Registered office	Suite 4, Level 19, 227, Elizabeth Street SYDNEY NSW 2000
Principal place of business	Suite 4, Level 19, 227, Elizabeth Street SYDNEY NSW 2000
Share register	Computershare Ltd Level 4, 60 Carrington Street Sydney NSW 2000
Auditor	BDO East Coast Partnership 11/1 Margaret St, Sydney NSW 2000
Bankers	St George Bank, Sydney Branch 316 George St Sydney NSW 2000
Stock exchange listing	Mediland Pharm Limited shares are quoted on the Australian Securities Exchange (ASX code: MPH).
Website	http://www.medilandpharm.com.au

Corporate governance statement

Mediland Pharm Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Mediland Pharm Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. The 2019 corporate governance statement is dated 23 November 2018 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the board on 23 November 2018. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at <http://www.medilandpharm.com.au/investor-relations-corporate-governance/>.

The directors of Mediland Pharm Limited (“the Company”) present their report on the consolidated entity (“the Group”) consisting of Mediland Pharm Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Mediland Pharm Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Jhon Shen (Executive Director - Appointed 27 August 2018)
Yeshween Mudaliar (Managing Director - Appointed 27 August 2018)
Peter French (Non-executive Director and Chairman - Appointed 1 November 2018)
Tracey Cray (Non-executive Director - Appointed 27 August 2018)
Theo Renard (Non-executive Director - Appointed 24 January 2019)

Principal activities

The Group operates a retail business, with three retail outlets in Sydney, Melbourne and Gold Coast focused on serving inbound Chinese tourists, who typically visit the outlets during an organised group tour. A new retail outlet opened in April 2019 in Auckland, New Zealand. There were no other significant changes in the principal activities of the consolidated entity during the period under review.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	\$	\$
Dividend paid to PMG before admission to ASX	5,302,233	8,000,000
	<u>5,302,233</u>	<u>8,000,000</u>

Review of operations

The loss for the Group after providing for income tax amounted to \$11,244 (30 June 2018: profit of \$3,428,033). Once-off costs incurred during the year include listing expense of \$589,711, share based payment expenses of \$710,909 and tax impact of \$412,779 where the restructure results in a new tax consolidated group, the tax value of the assets and liabilities need to be reset.

A more detailed review of operations is included in the “Chairman’s Letter & Operating and Financial Review” report.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Mediland Pharm Limited is in the process of the acquisition of Ian’s Health Lounge. The due diligence process has been completed and administrative process to complete the acquisition is underway.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in subsequent financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name: Jhon Shen
Title: Executive director
Qualifications: Master of Finance and Accounting from the University of New South Wales
Experience and expertise: Mr Shen is a businessman with a track record of developing profitable businesses and incubating new business opportunities through acquisition in the retail, tourism, travel and hospitality sectors. He has first-hand experience within the Chinese retail sector, as he worked in both operational and management level within the Company since March 2015. During this time he has gained extensive knowledge and experience, which has assisted him to better understand in how to operate a successful retail operation within Australia through offering high appealing products to the Chinese consumer.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 250,000,000

Name: Yeshween Mudaliar
Title: Managing director
Qualifications: Diploma of Travel and Tourism from Sir George Seymour National College in New Zealand, A certificate in Senior Development Executive Program and Hotel Real Estate Investments and Asset Management from Cornell University.
Experience and expertise: Mr Mudaliar is a professional hospitality executive with 15 years' industry experience. Over the past 15 years, he has successfully fulfilled senior executive roles with leading hotel chains including Marriott, Accor and IHG, in both managed and franchise operational models. With outstanding excellence in sales and business development focusing on increasing revenue and profitability, he naturally progressed his career to an asset management and business acquisition specialist. His vast network of relationships across a number of industries has supported his expertise to increase his clients' business portfolios with highly profitable acquisitions, mergers and ensuring corporate compliance.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: Nil
Performance rights: 2,500,000 rights

Name: Dr Peter French
Title: Non-executive director and Chairman
Qualifications: BSc (Sydney University, 1977); MSc (Sydney University, 1982), PhD Deakin University, 1986), MBA (Deakin University, 2001)
Experience and expertise: Peter French is an experienced senior executive and director in public and private companies primarily in the biotechnology and healthcare sector. His roles have included:

- Founder and non-executive director of Cryosite Limited (ASX:CTE) 2000-2006;
- Managing director of Probiomics Limited (ASX:PCC) 2003-2006;
- CEO and Managing director of Benitec Biopharma Limited(ASX:BLT) 2010-2015

Other current directorships: Chairman of PENAO Pty Limited
Former directorships (last 3 years): Executive director of Bioxyne Limited (ASX:BXN) from 2016 – 2018
Interests in shares: Nil
NED rights: \$30,000

Name: Tracey Cray
Title: Non-executive director
Qualifications: Qualifications in Human Resources and Workplace Health and Safety
Experience and expertise: Mrs Cray is an Affiliate of Australian Institute of Directors and a strategic business professional with over 15 years experience in the hospitality and tourism industry. Working with leading hotel brands including Choice Hotels, IHG, Mantra Group and Accor, including franchise operating models.

Mrs Cray holds qualifications in Human Resources and Workplace Health and Safety and has a history of achieving success in delivering and exceeding company objectives, driving performance and increasing business efficiencies. Her key strengths include operational and compliance requirements in Human Resources, Workplace Health and Safety, Learning and Development, Holistic Customer Service and Brand Awareness.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: Nil
NED rights: \$30,000

Name: Theo Renard
Title: Non-executive director
Experience and expertise: Mr Renard is a Chartered Accountant and has over 20 years experience in credit and relationship banking in commercial and investment banking with Nedcor in South Africa and Asia and ABN AMRO in Australia and Asia. He spent over two years as CFO and Company Secretary with a retail group with retail and manufacturing operations in Asia and the Subcontinent, during that time he was a Director of several of the listed companies and affiliates. Mr Renard has over 10 years experience in the resources sector as Chief Financial Officer and Company Secretary.

Other current directorships:
Former directorships (last 3 years): 1) Director, CFO and Company Secretary of Realm Resources Limited (ASX:RRP) from 2008 - 2018
2) Vice president finance of Atrum Coal NL (ASX:ATU) from 2014 - 2017
Interests in shares: Nil
NED rights: \$30,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Indira Naidu has broad experience and expertise gained across several multinational and Australian listed entities with particular skills in Assurance, Financial and Statutory Reporting and Corporate Governance.

She is a member of the Institute of Chartered Accountants in Australia and New Zealand and AICD. She has also completed ASIC RG146 course and currently undertaking Graduate Studies in the Company Directors Course with AICD.

After graduating from the University of the South Pacific with a Bachelor of Arts Degree in Accounting and Financial Management, she commenced her career at KPMG Fiji as an auditor and continued her career in HLB Mann Judd in Sydney. With over 16 years of experience in Audit and Assurance, Risk Management, Financial Reporting and Internal Audit in resource, financial services, retail, manufacturing and in not-for-profit sectors, she has assisted her clients with statutory reporting, compliance with regulatory bodies and implementation of accounting/financial reporting software.

Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration & Nominations Committee		Audit, Risk and Governance Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Jhon Shen	3	3	1	1		
Yeshween Mudaliar	3	3				
Tracey Cray	3	3	1	1	2	2
Peter French	3	3	1	1	2	2
Theo Renard	3	3	1	1	2	2

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration & Nominations Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration & Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration & Nominations Committee. The Remuneration & Nominations Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was in the Prospectus dated 23 November 2018. This amount has initially been fixed by the Company at \$700,000.

Executive remuneration

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration & Nominations Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration & Nominations Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2019.

Group performance and link to remuneration

Remuneration is not directly linked to the performance of the Group.

Use of remuneration consultants

During the financial period ended 30 June 2019, the Group did not engage any remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve them.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Mediland Pharm Limited:

Non-executive directors

- Peter French – Chairman
- Tracey Cray
- Theo Renard

Executive directors

- Jhon Shen
- Yeshween Mudaliar – Managing Director

Other executives

- Jessie Tao (Chief Financial Officer - Appointed on 15 October 2018)
- Indira Naidu (Company Secretary - Appointed on 6 November 2018)

	Fixed remuneration				Subtotal	Variable remuneration		Total
	Cash salary and fees	Non-monetary	Super-annuation	Long-term benefits Long service leave		Share based payments		
	\$	\$	\$	\$	\$	\$	\$	\$
2019								
<i>Non-Executive Directors:</i>								
Peter French	47,668	-	3,455	-	51,123	11,647		62,770
Tracey Cray	33,072	-	2,530	-	35,602	11,647		47,249
Theo Renard	20,811	-	1,529	-	22,340	7,661		30,001
<i>Executive Directors:</i>								
Jhon Shen	122,175	-	12,825	-	135,000	-		135,000
Yeshween Mudaliar	75,000	-	7,125	-	82,125	140,869		222,994
<i>Other Key Management Personnel:</i>								
Jessie Tao	56,675	-	5,950	-	62,625	28,174		90,799
Indira Naidu	35,140	-	2,805	-	37,945	-		37,945
	<u>390,541</u>	<u>-</u>	<u>36,219</u>	<u>-</u>	<u>426,760</u>	<u>199,998</u>		<u>626,758</u>
2018								
<i>Non-Executive Directors:</i>								
Peter French	-	-	-	-	-	-		-
Tracey Cray	-	-	-	-	-	-		-
Theo Renard	-	-	-	-	-	-		-
<i>Executive Directors:</i>								
Jhon Shen	91,324	-	8,676	-	100,000	-		100,000
Yeshween Mudaliar	-	-	-	-	-	-		-
<i>Other Key Management Personnel:</i>								
Jessie Tao	-	-	-	-	-	-		-
Indira Naidu	-	-	-	-	-	-		-
	<u>91,324</u>	<u>-</u>	<u>8,676</u>	<u>-</u>	<u>100,000</u>	<u>-</u>		<u>100,000</u>

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Jhon Shen
Title: Executive director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Mr Shen received a salary of \$135,000. Pursuant to Mr Shen's executive agreement, Mr Shen may resign from his position by giving 6 months' notice in writing.

Name: Yeshween Mudaliar
Title: Managing director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Mr Mudaliar received a salary of \$82,125. Pursuant to Mr Mudaliar's executive agreement, Mr Mudaliar may resign from his position by giving 6 months' notice in writing.

Name: Tracey Cray
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Ms Cray received a salary of \$35,602. Pursuant to Ms Cray's appointment letter, Ms Cray is offered a total of \$80,000 as remuneration as non-executive director, of which \$50,000 is in the form of cash and \$30,000 is in the form of shares to be issued in the consolidated entity, \$10,000 each in the next 3 years.

Name: Peter French
Title: Non-executive director and Chairman
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Dr French received a salary of \$51,123. Pursuant to Dr French's appointment letter, Dr French is offered a total of \$100,000 as remuneration as non-executive director, of which \$70,000 is in the form of cash and \$30,000 is in the form of shares to be issued in the consolidated entity, \$10,000 each in the next 3 years.

Name: Theo Renard
Title: Non-executive director
Agreement commenced: 24 January 2019
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Mr Renard received a salary of \$22,340. Pursuant to Mr Renard's appointment letter, Mr Renard is offered a total of \$80,000 as remuneration as non-executive director, of which \$50,000 is in the form of cash and \$30,000 is in the form of shares to be issued in the consolidated entity, \$10,000 each in the next 3 years

Name: Jessie Tao
Title: Chief Financial Officer
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Ms Tao received a salary of \$62,625. Pursuant to Ms Tao's executive agreement, Ms Tao may resign from her position by giving 6 months' notice in writing.

Name: Indira Naidu
Title: Company Secretary
Agreement commenced: 6 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2019, Ms Naidu received a salary of \$37,945. Pursuant to Ms Indira's executive agreement, Ms Indira may resign from her position by giving 6 months' notice in writing.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Rights
Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Grant date	Number of rights granted	Value of rights Granted \$	Value of rights vested \$	Number of rights lapsed	Value of rights lapsed \$
Yeshween Mudaliar	09.01.2019	2,500,000	487,667 ¹	-	-	-
Peter French	02.11.2018	-	30,000 ²	-	-	-
Tracey Cray	02.11.2018	-	30,000 ²	-	-	-
Theo Renard	24.01.2019	-	30,000 ²	-	-	-
Jessie Tao	09.01.2019	500,000	97,533 ¹	-	-	-

1. This represents the total value of the options over the life of the options from grant date using a Binomial Option Pricing Model. The amount is allocated against remuneration over the vesting period (total allocation vests in 3 equal tranches from the 1st anniversary of the issue date). The details of those issues are below:

Grant date	Expiry date	Vesting period (mths)	Exercise price	Strike price at issue date	Fair value at issue date	Exercised during the year	Forfeited during the year
Jan 19	6 months after each vesting dates	36	\$nil	\$0.20	\$0.19	Nil	Nil

2. This represents the EIP rights to be issued Shares for nil consideration in lieu of part of the Non-Executive Directors' (NED) fees. On each anniversary after the grant date, the directors will receive \$10,000 worth of shares in the company from the 1st anniversary of the issue date.

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Share Split on 8 November 2019	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Jhon Shen	1	249,999,999	-	-	250,000,000
	1	249,999,999	-	-	250,000,000

Rights
The number of rights in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Disposals/ other	Balance at the end of the year
Yeshween Mudaliar	-	2,500,000	-	
Jessie Tao	-	500,000	-	12,000,000
	-	3,000,000	-	12,000,000

	Balance at the start of the year \$	Additions \$	Disposals/ other \$	Balance at the end of the year \$
Peter French	-	30,000	-	30,000
Tracey Cray	-	30,000	-	30,000
Theo Renard	-	30,000	-	30,000
Non-Executive Directors	-	\$90,000	-	\$90,000

Other transactions with key management personnel:

The wife of Mr Jhon Shen, is a director of Auckland Harbour Limited and Aust & NZ Group Pty Ltd. The Group has the following transactions during the year with those two entities:

	2019 \$	2018 \$
<i>Sale of goods and services:</i>		
Promotion fee charged by Darling Harbour Pty Ltd to Auckland Harbour Limited	723,391	-
<i>Payment for goods and services:</i>		
Management fee paid to Aust & Nz Group Pty Ltd	1,201,614	1,364,201

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no ordinary shares of Mediland Pharm Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Unissued shares under rights

Unissued ordinary shares of Mediland Pharm Limited under rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
9 January 2019	9 January 2022	\$0.00	12,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Indemnity and insurance of officers

The Group has indemnified the directors and executives of the Group for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Group paid a premium in respect of a contract to insure the directors and executives of the Group against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group or any related entity.

Proceedings on behalf of the consolidated entity

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the consolidated entity, acting as advocate for the consolidated entity or jointly sharing economic risks and rewards.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Dr Peter French
Chairman

Sydney, NSW
30 August 2019

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF MEDILAND PHARM LIMITED

As lead auditor of Mediland Pharm Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mediland Pharm Limited and the entities it controlled during the period.



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 30 August 2019

Consolidated statement of profit or loss and other comprehensive income	13
Consolidated statement of financial position	15
Consolidated statement of changes in equity	16
Consolidated statement of cash flows	17
Notes to the consolidated financial statements	18
Directors' declaration	38
Independent auditor's report to the members of Mediland Pharm Limited	39

General information

The financial statements cover Mediland Pharm Limited as a consolidated entity consisting of Mediland Pharm Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Mediland Pharm Limited's functional and presentation currency.

Mediland Pharm Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 4, Level 19,
227, Elizabeth Street
SYDNEY
NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019. The directors have the power to amend and reissue the financial statements.

Mediland Pharm Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue	4	30,661,259	34,083,675
Cost of sales		<u>(3,277,209)</u>	<u>(3,836,791)</u>
Gross profit		27,384,050	30,246,884
Other income	4	770,867	6,189
Marketing expenses		(19,890,782)	(20,134,559)
Occupancy expenses		(736,682)	(584,722)
Administrative expenses		(3,339,420)	(3,312,988)
Employee benefit expenses		(2,000,721)	(1,320,803)
Share-based payment expenses	16	(710,909)	-
Listing expenses		(589,711)	-
Finance costs		-	(759)
Profit before income tax expense		886,692	4,899,242
Income tax expense	5	<u>(897,936)</u>	<u>(1,471,209)</u>
Profit/(loss) after income tax expense for the year attributable to the owners of Mediland Pharm Limited		(11,244)	3,428,033
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>18,164</u>	-
Other comprehensive income for the year, net of tax		<u>18,164</u>	-
Total comprehensive income for the year attributable to the owners of Mediland Pharm Limited		<u>6,920</u>	<u>3,428,033</u>
		Cents	Cents
Earnings			
Basic earnings per share	17	(0.01)	1.87
Diluted earnings per share	17	(0.01)	1.87

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

Mediland Pharm Limited
Consolidated statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	6	12,047,350	8,002,675
Trade and other receivables	7	1,853,696	1,322,814
Inventories	8	866,949	468,905
Total current assets		<u>14,767,995</u>	<u>9,794,394</u>
Non-current assets			
Investments		-	2
Property, plant and equipment	9	2,143,074	1,570,104
Intangibles	10	5,395	-
Deferred tax assets	5	153,057	120,574
Total non-current assets		<u>2,301,526</u>	<u>1,690,680</u>
Total assets		<u>17,069,521</u>	<u>11,485,074</u>
Liabilities			
Current liabilities			
Trade and other payables	11	3,477,155	5,476,603
Income tax payables		198,087	336,371
Provisions	12	36,460	17,195
Total current liabilities		<u>3,711,702</u>	<u>5,830,169</u>
Non-current liabilities			
Deferred tax liabilities	5	317,228	-
Total non-current liabilities		<u>317,228</u>	<u>-</u>
Total liabilities		<u>4,028,930</u>	<u>5,830,169</u>
Net assets		<u>13,040,591</u>	<u>5,654,905</u>
Equity			
Issued capital	13	11,898,945	1
Reserves	14	800,219	-
Retained profits		341,427	5,654,904
Total equity		<u>13,040,591</u>	<u>5,654,905</u>

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

Mediland Pharm Limited
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Group restructure reserve \$	Foreign currency reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	1	-	-	10,226,871	10,226,872
Profit after income tax expense for the year	-	-	-	3,428,033	3,428,033
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	3,428,033	3,428,033
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid (note 15)	-	-	-	(8,000,000)	(8,000,000)
Balance at 30 June 2018	<u>1</u>	<u>-</u>	<u>-</u>	<u>5,654,904</u>	<u>5,654,905</u>

Consolidated	Issued capital \$	Group restructure reserve \$	Foreign currency reserve \$	Share-based payments reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	1	-	-	-	5,654,904	5,654,905
Loss after income tax expense for the year	-	-	-	-	(11,244)	(11,244)
Other comprehensive income for the year, net of tax	-	-	18,164	-	-	18,164
Total comprehensive income for the year	-	-	18,164	-	(11,244)	6,920
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 16)	-	-	-	710,909	-	710,909
Group restructure	(1)	71,146	-	-	-	71,145
Shares issued during restructuring	100	-	-	-	-	100
Shares issued during IPO	12,552,722	-	-	-	-	12,552,722
Less: Share issue cost (note 13)	(653,877)	-	-	-	-	(653,877)
Dividends paid (note 15)	-	-	-	-	(5,302,233)	(5,302,233)
Balance at 30 June 2019	<u>11,898,945</u>	<u>71,146</u>	<u>18,164</u>	<u>710,909</u>	<u>341,427</u>	<u>13,040,591</u>

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

Mediland Pharm Limited
Consolidated Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		32,566,547	34,675,110
Payments to suppliers and employees (inclusive of GST)		(33,678,800)	(30,888,103)
Interest received		62,110	41,046
Interest paid		-	(758)
Net income taxes paid		<u>(751,475)</u>	<u>(2,269,450)</u>
Net cash from/(used in) operating activities	26	<u>(1,801,618)</u>	<u>1,557,845</u>
Cash flows from investing activities			
Payments to acquire plant and equipment	9	(757,450)	(992,483)
Receipts from related entities		-	335,990
Payments to related entities		-	(911,725)
Proceeds from disposal of plant and equipment		<u>7,031</u>	<u>-</u>
Net cash used in investing activities		<u>(750,419)</u>	<u>(1,568,218)</u>
Cash flows from financing activities			
Proceeds from issue of shares		12,552,822	-
Share issue transaction costs		(653,877)	-
Dividends paid	15	<u>(5,302,233)</u>	<u>(1,447,472)</u>
Net cash from/(used in) financing activities		<u>6,596,712</u>	<u>(1,447,472)</u>
Net increase/(decrease) in cash and cash equivalents		4,044,675	(1,457,845)
Cash and cash equivalents at the beginning of the financial year		<u>8,002,675</u>	<u>9,460,520</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>12,047,350</u></u>	<u><u>8,002,675</u></u>

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

Note 1. CORPORATION INFORMATION

Mediland Pharm Limited is a company limited by shares incorporated in New South Wales on 27 August 2018. The consolidated entity was admitted to the Official List of Australian Securities Exchange on 20 February 2019, completing an initial Public Offering (IPO) of 62,763,610 new shares at an issue price of \$0.20, raising \$12,552,722 before transaction costs.

During the Initial Public Offering of the consolidated entity's shares on the Australian Securities Exchange, Pacific Merchants Group Limited (PMG), the parent entity of the consolidated entity undertook a group restructure whereby PMG's ownership of its Australian businesses was transferred to Mediland Pharm Limited. The Australian business comprised PMG's wholly owned subsidiaries; Darling Harbour Pty Ltd, St.Wells Pty Ltd and Surfers Paradise Pty Ltd.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Mediland Pharm Limited ("the Company") and its controlled entities ("the Group").

The following is a summary of the material accounting policies adopted by the consolidated Group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and *Corporations Act 2001* as appropriate for profit oriented entities.

(i) Historical cost convention

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(ii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(g).

(b) Going concern

The financial report has been prepared on a going concern basis. Notwithstanding the Group generated a loss after-tax of \$11,244, those non-recurring expenses includes share-based payment and listing cost total amounting to \$1.3 million. And Income tax expenses in relation to tax consolidation group adjustment of \$0.41 million is once-off cost. Furthermore, the Group had a net assets position at 30 June 2019 of \$13,040,591 and cash on hand amount of \$12 million. The directors believe the going concern basis of preparation of the financial statements is appropriate based on trading forecasts prepared and the future growth of the Group.

(c) Comparative information

The comparative information presented in the financial statements represents the financial position and financial performance of the then parent PMG, and the Australian businesses. Detailed explained in the note 14 of business restructure reserve.

(d) Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goods and services tax

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 Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

(f) Employee benefits

Employees of the Group receive defined contribution superannuation entitlements for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(g) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the Group's functional and presentation currency.

Transactions and balances

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

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

Exchange difference arising on translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- income and expense are translated at average exchange rates for the year; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are also recognised in the statement of comprehensive income as other comprehensive income. The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed of.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Critical accounting estimates and judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Information on material estimates and judgements used in applying the accounting policies can be found in the following notes:

Judgement Area	Note
Allowance for expected credit losses	7
Provision for impairment of inventories	8
Estimation of useful lives of assets	9
Recovery of deferred tax assets	5
Share based payments	16

(i) New accounting standards and interpretation

The Group has adopted AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments from 1 July 2018.

New standards and amendments to standards which are not yet effective have not been early adopted. A discussion of the requirements and their impact on the Group of the adoption of *AASB 9 Financial Instruments* and *AASB15 Revenue from Contracts with Customers* is as follows:

AASB 9: Financial Instruments

Mandatory date of application: 1st July 2018

The Standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets and new general hedge accounting requirements. It also carried forward guidance on recognition and derecognition of financial instruments from AASB139.

Assessment of Impact

The Group has assessed the new standard and based on its financial assets and liabilities, the key impact of the standard on the Group was in relation to trade debtors and the assessment of the provision for doubtful debts under the expected credit loss model.

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes. The Group has adopted a simplified approach for trade receivables on the initial transition date (1 July 2018) which uses a lifetime expected loss allowance for all trade receivables and contract assets. As the ECL assessment has resulted in an immaterial credit loss no impairment allowance has been recognised by the Group.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 15: Revenue from Contracts with Customers

Mandatory date of application: 1st July 2018

AASB 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 superseded the current revenue recognition guidance including AASB 118 Revenue, AASB 111 Construction Contracts and the related interpretations.

Assessment of Impact

The Group has adopted AASB 15 using the cumulative effect method (by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018). The transition exercise on adopting AASB 15 did not result in an adjustment to the opening balance of equity at 1 July 2018. Comparative information has not been restated and continues to be reported under AASB 118.

Sales of goods

The Group has earned the sales revenue from the sale of products through its four retail stores. Revenue for these activities are recognised when the customers obtain control of these assets at the point in time when the customer has obtained control of the goods which is considered to be fulfilment of the performance obligation. Revenue is measured with consideration to any trade discounts and volume rebates.

Commission income

The Group also derives revenue from commission through agreements with third party retailers who pay the Group a commission from the sales generated on Chinese tour groups that the Group arranges to visit these third party retailers. Revenue for these activities are recognised when the tour groups purchased the products with these third party retailers and obtain control of these assets at the time of delivery of the goods.

AASB 16: Leases

Mandatory date of application: 1st July 2019

AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB16 will supersede the current lease guidance including AASB 117 Leases and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a mode where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Assessment of Impact

As at 30 June 2019, the Group has non-cancellable operating lease commitments of \$1,626,815 (Note 23). The Group is in the process of completing an assessment of the impact of adoption of AASB 16 on these commitments.

The full financial impact of adopting AASB 16 has not yet been determined, however the following impacts are expected on implementation date:

- A material right-of-use asset and a lease liability will be recognised on the Balance Sheet.
- Finance costs will increase due to the impact of the interest component of the lease liability.
- Depreciation expense will increase due to depreciation of the right-of-use asset over the lease term.
- Lease rental operating expenses will reduce to nil.
- In the Cash Flow Statement, operating cash outflows will decrease and financing cash outflows will increase as repayment of the principal balance in the lease liability will be classified as a financing activity.

Note 3. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 5 to 9. For the year ended 30 June 2019, the Group continues to operate only in one segment being a retailer servicing the Chinese inbound tourism sector in Australia and New Zealand.

The aggregation criteria under AASB 8 – Operating Segments has been applied to include the results of Mediland Australian and New Zealand entities within the retailer services segment. All the sales revenue and marketing activities are managed within the Group's head office which is based in Sydney, Australia.

Note 4. REVENUE AND OTHER INCOME

	June 2019 \$	June 2018 \$
Revenue		
Sale of goods	25,416,677	29,598,652
Commission received	5,244,582	4,485,023
Total revenue	30,661,259	34,083,675
Other income		
Interest income	62,110	41,046
Other income/(expense)	708,757	(34,857)
Total other income	770,867	6,189

Recognition and Measurement

Sale of goods and commission received:

Sale of goods and commission received is recognised when control of the goods has passed to the buyer. Further detail is explained in Note 2(h).

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 2019	Sales of goods \$	Commission received \$	Total \$
Geographical regions			
Australia	24,180,978	3,840,473	28,021,451
New Zealand	1,235,699	1,404,109	2,639,808
	<u>25,416,677</u>	<u>5,244,582</u>	<u>30,661,259</u>
Consolidated - 2018	Sales of goods \$	Commission received \$	Total \$
Geographical regions			
Australia	29,598,652	4,485,023	34,083,675
New Zealand	-	-	-
	<u>29,598,652</u>	<u>4,485,023</u>	<u>34,083,675</u>

Note 5. INCOME TAX EXPENSES

	June 2019 \$	June 2018 \$
Income tax expense		
Current tax	613,191	1,467,032
Deferred tax	284,745	4,177
	897,936	1,471,209
Numerical reconciliation of income tax to prima facie tax payable:		
Prima facie income tax expense on loss from ordinary activities (28%-30%)	266,008	1,469,773
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible share-based payment expenses	213,135	-
Tax consolidation adjustments**	418,793	-
Other non-deductible/capitalised expenses	-	1,436
Income tax attributable to the Group	897,936	1,471,209

**** Tax consolidation legislation**

Mediland has formed a tax consolidated group with its subsidiaries under the tax consolidation regime. The Australian Taxation Office has been notified of this decision. As a result of consolidation, adjustments were required for the reset tax bases of assets of the subsidiaries. Estimated tax effects of amounts attributable to consolidation adjustments:

Trading stock tax base reductions	164,380
Fixed asset tax base reductions	254,413
	418,793

Reconciliation of DTA and DTL

	DTA	DTL
Balance at 1 July 2018	120,574	-
Adjustment for tax consolidated group	(37,171)	(2,853)
Under/(Over) Provision	(156)	94
Charged to income	69,810	280,580
Charged to Equity	-	39,407
Balance at 30 June 2019	153,057	317,228

Recognition and Measurement

Current tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit), and deferred tax expense/(benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period together with the research and development claim submitted for the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Note 5. INCOME TAX EXPENSES (CONTINUED)

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Mediland Pharm Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Note 6. CASH AND CASH EQUIVALENTS

	June 2019 \$	June 2018 \$
Cash on hand	123,226	504,172
Cash at bank	11,924,124	7,498,503
	12,047,350	8,002,675

Recognition and Measurement

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash at bank bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 2.40% (2017-18: between 0.00% and 2.40%).

Note 7. TRADE AND OTHER RECEIVABLES

	June 2019 \$	June 2018 \$
Trade receivables	647,347	296,181
	647,347	296,181
Other receivables	495,787	105,851
Deposits	113,916	61,496
GST receivables	596,646	859,286
	1,206,349	1,026,633
	1,853,696	1,322,814

Note 7. TRADE AND OTHER RECEIVABLES (CONTINUED)

Recognition and Measurement

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.1% of receivables and are immaterial. Therefore, no impairment has been recorded.

Other receivables are recognized at amortised cost, less any provision for impairment.

Note 8. INVENTORIES

	June 2019 \$	June 2018 \$
Finished goods – at cost	866,949	468,905
	866,949	468,905

Recognition and Measurement

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of costs of purchase, delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Key estimates and judgement

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 9. PROPERTY, PLANT AND EQUIPMENT

	June 2019 \$	June 2018 \$
Fixtures and fittings - at cost	1,471,470	1,297,625
Less: Accumulated depreciation	(118,842)	(65,235)
	1,352,628	1,232,390
Motor vehicles - at cost	295,597	313,097
Less: Accumulated depreciation	(89,791)	(47,167)
	205,806	265,930
Office equipment - at cost	112,443	99,345
Less: Accumulated depreciation	(36,061)	(27,561)
	76,382	71,784
Lease improvement – at cost	570,024	-
Less: Accumulated depreciation	(61,766)	-
	508,258	-
Total property, plant and equipment	2,143,074	1,570,104

Note 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Motor Vehicles \$	Fixtures and fittings \$	Office Equipment \$	Lease Improvement \$	Total \$
Balance at 1 July 2017	276,466	368,732	15,433	-	660,631
Additions	51,066	895,056	62,404	-	1,008,526
Disposals	(15,779)	-	-	-	(15,779)
Depreciation expense	(45,823)	(31,113)	(6,338)	-	(83,274)
Balance at 30 June 2018	265,930	1,232,675	71,499	-	1,570,104
Additions	-	173,844	13,582	570,024	757,450
Disposals	(14,304)	-	-	-	(14,304)
Exchange differences	-	(284)	275	-	(9)
Less: net assets from PMG	-	-	(197)	-	(197)
Depreciation expense	(45,820)	(53,607)	(8,777)	(61,766)	(169,970)
Balance at 30 June 2019	205,806	1,352,628	76,382	508,258	2,143,074

Recognition and Measurement

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Furniture and fittings	3-40 years
Leasehold improvements	3-10 years
Office equipment	1-5 years
Motor vehicle	5-10 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Key estimates and judgements:

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 10. INTANGIBLES

	June 2019 \$	June 2018 \$
Trademark - at cost	5,917	-
Less: Accumulated amortisation	(522)	-
	<u>5,395</u>	<u>-</u>

Recognition and Measurement

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Trademark \$	Total \$
Balance at 1 July 2017	-	-
Balance at 30 June 2018	-	-
Additions	5,917	5,917
Amortisation expense	(522)	(522)
Balance at 30 June 2019	<u>5,395</u>	<u>5,395</u>

Note 11. TRADE AND OTHER PAYABLES

	June 2019 \$	June 2018 \$
Trade payables	2,972,504	5,420,726
Other payables – related parties	197,961	-
Other payables	306,690	55,877
	<u>3,477,155</u>	<u>5,476,603</u>

Recognition and Measurement

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid with 30 days of recognition of the liability.

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the financial risks associated with trade and other payables refer to Note 18.

Note 12. PROVISIONS

	June 2019 \$	June 2018 \$
Employee benefits	36,460	17,195
	36,460	17,195

Recognition and Measurement

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Short-term employee benefits

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

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 13. ISSUED CAPITAL

	June 2019 \$	June 2018 \$
Fully paid ordinary shares	12,552,822	1
Costs of fund raising recognised	(653,877)	-
	11,898,945	1

(a) Fully paid ordinary shares

	June 2019 Number of shares	June 2018 Number of shares
At the beginning of the year	1	1
Shares split on 8 November 2018	249,999,999	-
IPO shares issued on 20 February 2019	62,763,610	-
	312,763,610	1

	June 2019 \$	June 2018 \$
At the beginning of the year	1	1
Shares split on 8 November 2018	99	-
IPO shares issued on 20 February 2019 @ issue price of \$0.20	12,552,722	-
	12,552,822	1

Recognition and Measurement

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 entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 14. RESERVE

	June 2019 \$	June 2018 \$
Foreign currency reserve	18,164	-
Share-based payments reserve	710,909	-
Group restructure reserve	71,146	-
	800,219	-

Recognition and Measurement

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Note 14. RESERVE (CONTINUED)

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued and vested to employees and directors. Refer to Note 16.

Group restructure reserve

During the Initial Public Offering of the Group's shares on the Australian Securities Exchange, Pacific Merchants Group Limited (PMG), the parent entity of the Group undertook a group restructure whereby PMG's ownership of its Australian businesses was transferred to Mediland Pharm Limited. The Australian business comprised PMG's wholly owned subsidiaries; Darling Harbour Pty Ltd, St.Wells Pty Ltd and Surfers Paradise Pty Ltd. As the Australian businesses were controlled by the same party both before and after, in the opinion of the directors, the restructuring represents a group restructure of entities under common control and therefore the requirements of AASB 3 Business Combinations do not apply.

The Group restructure has resulted in the recognition of a restructure reserve, being the amount of the net assets of PMG as at the date of restructure.

Note 15. DIVIDEND

	June 2019	June 2018
	\$	\$
Dividend paid to PMG before admitted to ASX	5,302,233	8,000,000

Note 16. SHARE BASED PAYMENT

An employee incentive plan ("EIP") has been established by the Group at the initial public offering, whereby the Group may, at the discretion of the Remuneration & Nominations Committee, grant performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board. During the year, the Group has granted the EIP rights to be issued Shares for nil consideration in lieu of part of the Non-Executive Directors' (NED) fees. On the each anniversary after the grant date, the directors will receive \$10,000 worth of shares in the company in 2020, 2021 and 2022.

Based on the EIP, the Company has also established a Long Term Incentive Plan (LTIP) to encourage the high performance of its key management personnel and senior management personnel in order to promote the long-term success of the Company. The LTIP is an equity-based plan which is delivered in the form of Performance Rights. These Performance Rights have a three year vesting period and will vest at the end of its period.

Performance rights were issued during the year, pursuant to the Employee Incentive Plan. Fair values at grant date are determined using a Binomial Option Pricing Model that takes into account the exercise price, the term of the option, the share price at the grant date, the expected volatility of the underlying share, expected dividend yield, and risk free interest rate for the term of the option. The model inputs for performance rights granted during the year ended 30 June 2019 are noted below:

Grant date	Expiry date	Vesting period (mths)	Exercise price	Strike price at issue date	Fair value at issue date	Est. volatility	Expected dividend yield	Average risk-free rate
Jan 19	6 months after each vesting dates	36	\$nil	\$0.20	\$0.19	70%	1%	2.53%

The company was admitted to the official list on ASX on 20 February 2019. Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements

Note 16. SHARE BASED PAYMENT (CONTINUED)

Set out below are summaries of performance rights granted under the long term incentive plan:

2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/01/2019	09/01/2022	\$0.00	-	12,000,000	-	-	12,000,000
			-	12,000,000	-	-	12,000,000

Set out below are summaries of non-executive directors' rights granted under the EIP:

2019			
Grant date	Expiry date	Discount Rate	Value of rights granted
02/11/2018	02/11/2021	2.10%	\$60,000
24/01/2019	24/01/2022	1.76%	\$30,000
			\$90,000

Reconciliation of share-based payment expenses

Consolidated	\$
Balance at 30 June 2018	-
Balance at 1 July 2018	-
Rights issued through LTIP to employees	676,171
Rights issued through EIP to NED	34,738
Balance at 30 June 2019	710,909

Recognition and Measurement

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

Key estimates and judgements

At each reporting date, the entity revises its estimate of the number of rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to the original estimates, is recognised in profit or loss with a corresponding adjustment to equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the rights.

Note 17. LOSS/EARNINGS PER SHARE

	June 2019 \$	June 2018 \$
a. Earnings used to calculate basic EPS from continuing operations	(11,244)	3,428,003
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS*	183,485,022	183,485,022
c. Basic and Diluted earnings per share (cents per share)	(0.01)	1.87

*Basic EPS is calculated as the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Note 18. FINANCIAL INSTRUMENTS

The director's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effect on financial performance. Risk management policies are approved and reviewed by Director on a regular basis. These include the credit risk policies and future cash flow requirements.

Market risk

Foreign currency risk

the Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group 's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2019 \$	2018 \$	2019 \$	2018 \$
Consolidated				
New Zealand dollars	2,298,363	-	1,102,614	-

The Group had net assets denominated in New Zealand dollar of \$1,195,749 (assets of \$2,298,363 less liabilities of \$1,102,614) as at 30 June 2019 (2018: Nil). Based on this exposure, had the Australian dollars weakened by 5%/strengthened by 5% against these New Zealand dollar with all other variables held constant, the Group 's profit before tax for the year would have been \$58,586 lower/\$58,586 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2019 was \$Nil (2018: Nil).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk.

Note 18. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, and deposits with banks. As sales to retail customers are settled in cash or using major credit cards within 24 hours, the Group is mitigated from any material credit risk exposure to any single debtor or group of debtors.

The Group has a credit risk exposure with a major Australian retailer from which the commission revenue has generated, which as at 30 June 2019 owed the Group \$527,907. (2018: \$196,837). This balance was within its terms of trade and no impairment was made as at 30 June 2019. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group remaining contractual maturity for its financial instrument liabilities.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	2,972,504	-	-	-	-
Other payables	-	504,651	-	-	-	-
Total non-derivatives		3,477,155	-	-	-	-

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	5,420,726	-	-	-	-
Other payables	-	55,877	-	-	-	-
Total non-derivatives		5,476,603	-	-	-	-

Note 18. FINANCIAL INSTRUMENTS (CONTINUED)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated.

Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is approximate to fair value.

Note 19. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 20. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Darling Harbour Pty Ltd	Australia	100.00%	100.00%
St Wells Pty Ltd	Australia	100.00%	100.00%
Surfers Paradise Pty Ltd	Australia	100.00%	100.00%
Mediland Pharm NZ Ltd	New Zealand	100.00%	100.00%

Consolidation accounting policies

Subsidiaries are all those entities over which the Group has control. The group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Note 21. PARENT ENTITY INFORMATION

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

	June 2019	June 2018*
	\$	\$
Current assets	10,222,992	87,203
Total assets	11,845,991	1,333,569
Current liabilities	71,839	1,457,492
Total liabilities	309,387	1,457,942
<i>Equity</i>		
Issued capital	11,898,945	1
Reserves	710,909	-
Retained earnings	(1,073,250)	(124,374)
	11,536,604	(124,373)
Profit/(Loss) for the year	676,748	(177,427)
Total comprehensive income/ (loss) for the year	676,748	(177,427)

*The financial information for June 2018 represents Pacific Merchant Group Limited before the group restructure.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 (2018: \$0).

Capital commitments

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 (2018: \$0).

Note 22: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable to those available to other parties unless otherwise stated.

Parent entity

Mediland Pharm Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 20.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2019	2018
	\$	\$
<i>Sale of goods and services:</i>		
Promotion fee charged by Darling Harbour Pty Ltd to Auckland Harbour Limited	723,391	-
<i>Payment for goods and services:</i>		
Management fee paid to Aust & Nz Group Pty Ltd	1,201,614	1,364,201

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2019	2018
	\$	\$
<i>Current borrowings:</i>		
Loan from Pacific Merchant Group Limited	197,961	-

Note 23. LEASING COMMITMENTS

The group leases office and retail stores under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	2019	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	539,873	470,614
One to five years	<u>1,086,942</u>	<u>572,981</u>
	<u>1,626,815</u>	<u>1,043,595</u>

Note 24. AUDITORS REMUNERATION

During the financial year, the following fees were paid or payable for services provided by, the auditor of the Group:

	2019	2018
	\$	\$
Audit or review of the financial statements	74,500	54,058
Other non-audit services – Income tax and GST advisory and compliance, and IPO related services	<u>771,422</u>	<u>421,524</u>
	<u>845,922</u>	<u>475,582</u>

Note 25. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2019	2018
	\$	\$
Short-term employee benefits	390,541	91,324
Post-employment benefits	36,219	8,676
Share-based payments	<u>199,998</u>	<u>-</u>
	<u>626,758</u>	<u>100,000</u>

Note 26. CASH FLOW INFORMATION

	2019	2018
	\$	\$
Profit/(loss) after income tax expense for the year	(11,244)	3,428,033
Adjustments for:		
Depreciation and amortisation	170,492	83,010
Share-based payments	710,909	-
Foreign exchange differences	14,635	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(530,882)	(916,886)
Decrease/(increase) in inventories	(398,044)	171,374
Increase in deferred tax assets	(32,483)	4,177
Decrease in trade and other payables	(1,923,210)	(426,641)
Decrease in provision for income tax	(138,284)	(802,417)
Increase in deferred tax liabilities	317,228	-
Increase in other provisions	19,265	17,195
Net cash from/(used in) operating activities	<u>(1,801,618)</u>	<u>1,557,845</u>

Note 27. CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Note 28. AFTER BALANCE DATE EVENTS

Mediland Pharm Limited is in the process of the acquisition of Ian's Health Lounge. The due diligence process has been completed and administrative process to complete the acquisition is underway.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in subsequent financial years.

In the directors' opinion:

- the attached financial statements and notes 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 comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

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



Dr Peter French
Chairman

Sydney, NSW
30 August 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Mediland Pharm Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mediland Pharm Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

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 of the current period. 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.

Revenue recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 2(i) and Note 4 in the financial report, the Group generates revenue from the sale of goods from its retail stores and receives commissions from third party retailers.</p> <p>The Group's management focuses on revenue as a key driver by which the performance of the Group is measured.</p> <p>This is a key audit matter due to the volume of transactions and the total balance of revenue.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Obtaining an understanding and documenting the processes and controls used by the Group in recording revenue; • Performing analytical procedures on a disaggregated basis on the retail stores and by month; • Testing a sample of commission revenue and product sales transactions; • Performing cut-off testing to ensure the completeness and accuracy of revenue recorded during the period; and • Assessing the revenue recognition policy for compliance with AASB 15 <i>Revenue from Contact with Customers</i>.

Share-based payments

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>During the financial year the Group issued shares to directors and key management personnel, which have been accounted for as share-based payments.</p> <p>Refer to Note 16 in the financial report for a description of the accounting policy and significant estimates and judgements applied to these arrangements.</p> <p>Share-based payments is a key audit matter as the accounting can be complex and requires judgement and the use of assumptions.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Reviewing the individual agreements, market announcements and board minutes to ensure all new performance rights issued during the year had been accounted for; • Considering whether the Group used an appropriate model in valuing the performance rights; • Re-performing the calculation of share based payments by applying the estimates and assumptions used by management; • Evaluating management's assumptions used in the calculation being interest rate, volatility, dividend and the expected vesting period; and • Evaluating the adequacy and accuracy of the disclosure of the share-based payment arrangements in the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.



In our opinion, the Remuneration Report of Mediland Pharm Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company 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.

BDO East Coast Partnership

Handwritten signature of Arthur Milner, consisting of the letters 'AM' in a cursive script.

Arthur Milner
Partner

Sydney, 30 August 2019

Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 29 August 2019.

(a) Substantial Holders

Substantial holders in the Company are set out below:

Ordinary Shares	Fully Paid Shares	Percentage
Pacific Merchants Group Limited	250,000,000	79.93

(b) Distribution of equity securities

(i) Ordinary share capital

312,763,610 fully paid ordinary shares are held by 394 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding are:

	Fully paid ordinary shares
1-1,000	1,366
1,001-5,000	203,083
5,001-10,000	1,018,234
10,001-100,000	5,824,227
100,001 - and over	305,716,700
	312,763,610

(c) Twenty largest holders of quoted equity securities

Ordinary Shareholder	Fully paid	
	Number	Percentage
PACIFIC MERCHANTS GROUP LIMITED	250,000,000	
MR QIMING DU	11,001,632	
XIYAO SUN	11,000,000	
MR YONGQIANG LU	10,000,000	
AUSSIA PHARMACEUTICALS PTY LTD <YAN FAMILY A/C>	2,700,000	
MS MING XU <XU FAMILY A/C>	2,500,000	
WEI LIU	1,999,910	
MR ZHIXIONG LI	1,999,000	
YUN LIU	1,549,120	
BOLLINGER ACADEMIC PTY LTD	1,000,000	
MRS LI CHEN	1,000,000	
MS YI LIU	1,000,000	
LEI WANG	1,000,000	
MS JUN YAN	1,000,000	
WEIQING YE	1,000,000	
XINJIA CUI	953,200	
HXS INVESTMENTS PTY LTD	500,000	
YUANBO LIAN	500,000	
YAFENG LIU	500,000	
THE RAIN MAKER MGMT SDN BHD	400,000	
	301,602,862	96.43

(d) Voting rights

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.