

Mediland Pharm Limited

ABN 83 628 420 824

Financial Report For the Year Ended - 30 June 2020

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) Leo Cui (Non-executive Director, appointed 28 November 2019)
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 Audit Pty Ltd 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 listed on the Australian Securities Exchange (ASX code: MPH)
Website	http://www.medilandpharm.com.au

Corporate governance statement

Mediland Pharm Limited's Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place. The company has utilised the funds raised at the initial public offer to further the business aims laid out in the prospectus.

The Company complies with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. A copy of the Company's corporate governance statement is available at the Company's website at the following address: <http://www.medilandpharm.com.au/investor-relations-corporate-governance/>.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'the Group') consisting of Mediland Pharm Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

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)
Yeshween Mudaliar (Managing Director)
Peter French (Non-executive Director and Chairman)
Tracey Cray (Non-executive Director)
Theo Renard (Non-executive Director)
Leo Cui (Non-executive Director, appointed 28 November 2019)

Principal activities

The Group operates a retail business, with four retail outlets in Australia and New Zealand focused on serving inbound Chinese tourists, who typically visit the outlets during an organised group tour. In July 2019, the Group completed acquisition of Enti Financial Pty Ltd which has well-established E-commerce platforms and retail franchise stores in China. These include one direct store in Australia, six franchise shops in China, three WeChat accounts and four E-commerce platforms. In October 2019, Enti Financial Pty Ltd operating as Ian's Health Lounge opened its new flagship direct store in Sydney, Australia. 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	
	2020	2019
	\$	\$
Dividend paid to PMG before admission to ASX	-	5,302,233

There were no dividends paid, recommended or declared during the current financial year.

Review of operations

The loss for the Group after providing for income tax amounted to \$5,109,041 (30 June 2019: loss of \$11,244). Once-off costs incurred during the year include share-based payment expenses of \$990,560. The Group has spent \$15,366,550 in marketing and \$3,439,141 in administrative expenses.

The novel coronavirus (COVID-19), was declared a world-wide pandemic by the World Health Organisation in March 2020. The Company closed four of its retail shops in early February, which has impacted the revenue in the last six months to the financial year ended 30 June 2020. Whilst the absence of Chinese tourists, led to substantial reduction in revenue, Enti Financial which was acquired in early part of the financial year, has contributed to revenue. COVID-19 affected all facets of the Group such as operating costs in relation to leases, employee costs, remuneration for executives and directors and carrying values of assets. The Company continues to monitor the potential impact of COVID-19, if any on the carrying value of certain assets. Detailed review of operations and the Company's activities is included in the Chairman's and Managing Director's report which is not part of the Directors Report.

Significant changes in the state of affairs

During the year ended 30 June 2020, the Group completed the acquisition of Enti Financial Pty Ltd ("Ian's Health Lounge"), and established a new subsidiary, Share We Do Platform Technology Services Co, Ltd in China. This will accelerate Mediland's growth and E-commerce strategy, as well as expanding its own branded product range. In November 2019, Ian's Health Lounge's flag ship shop has been launched in Sydney CBD area. The company anticipates this flagship shop will become a "hub" for its online business and "a way to connect" with customers in Australia and China.

Matters subsequent to the end of the financial year

On 7 July 2020, Performance Rights totaling 4,433,333 granted under the FY 2019 Long Term Incentive Plan (LTIP) have lapsed or been forfeited.

No other matter or circumstance has arisen since 30 June 2020, that has significantly affected the Group's operations, results or the state of affairs or may do so in future 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
Special Responsibilities	Member of Remuneration & Nominations Committee
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 16 years' industry experience. Over the past 16 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

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: Dr. 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
Special responsibilities: Member of Audit, Risk and Governance Committee
Interests in shares: Nil

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 16 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
Special responsibilities: Chair of Remuneration & Nominations Committee and Member of Audit, Risk and Governance Committee
Former directorships (last 3 years): None
Interests in shares: Nil

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: None
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
Special responsibilities: Chair of Audit, Risk & Governance Committee
Interests in shares: Nil

Name: Leo Cui
Title: Non-executive director
Experience and expertise: Mr Cui has substantial experience in Financial Services Industry mainly responsible for Group Dealing, Risk Management, responsibility for compliance with respect to ASIC and specific compliance obligations under Australian Financial Services License. Previous work experience also includes sales and marketing, financial product advice to and dealing with wholesale and retail clients, derivative products, and foreign exchange contracts. Mr Cui's key strength includes his financial services background which has foreign investors in Australian Companies. He also has network and relations in Hong Kong and China.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of Remuneration & Nominations Committee and Member of Audit, Risk and Governance Committee
Interests in shares: 61,000

'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

Ms Naidu has over 16 years' experience, in audit and assurance, risk management, financial reporting, corporate governance and internal audit within retail, manufacturing and not-for-profit sectors. Her expertise has been gained through auditing and corporate advisory services to multinational and Australian listed entities. She also holds the position of Finance Manager and Assistant Company secretary in an entity with dual listing on ASX and Nasdaq. She has expertise in Publicly Listed Entity Reporting and Statutory Reporting. Ms Naidu is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ) and Australian Institute of Company Directors (AICD).

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 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Jhon Shen	10	11	1	2	-	-
Yeshween Mudaliar	11	11	-	-	-	-
Tracey Cray	11	11	2	2	3	3
Peter French	11	11	1	2	3	3
Theo Renard	11	11	2	2	3	3
Leo Cui (appointed 28 Nov 2019)	7	11	2	2	2	3

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

*= Not a member of the relevant committee

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. Non-executive directors do not receive performance-based bonuses and prior shareholder approval is required to participate in the issue of equity.

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.

The 4th edition of the Corporate Governance principles and Recommendations released by the ASX Corporate Governance Council specifies that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interest with the interest of other security holders, however non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision making and constraints of a newly listed company, the Board has chosen to grant equity in the form of Non-Executive Director Rights (NED Rights) which vest based only on meeting continuous service conditions.

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 Nomination and Remuneration 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 2020.

Group performance and link to remuneration

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

Voting of shareholders at last year's annual general meeting

The Company received 61.51% of "yes" and 21.21% undirected proxies open to the Chair to vote in favor of the resolution on its remuneration report for the 2019 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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

- Dr. Peter French – Chairman
- Tracey Cray
- Theo Renard
- Leo Cui

Executive directors

- Jhon Shen
- Yeshween Mudaliar – Managing Director

Other executives

- Jessie Tao (Chief Financial Officer)
- Indira Naidu (Company Secretary)

	Fixed remuneration				Subtotal	Variable remuneration	
	Cash salary and fees	Non-monetary	Super-annuation	Long-term benefits Long service leave		Share based payments	Total
2020	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Peter French	53,273	-	5,061	-	58,334	11,295	69,629
Tracey Cray	38,052	-	3,615	-	41,667	11,295	52,962
Theo Renard	38,052	-	3,615	-	41,667	13,604	55,271
Leo Cui	9,132	-	868	-	10,000	-	10,000
<i>Executive Directors:</i>							
Jhon Shen	51,923	-	4,933	-	56,856	-	56,856
Yeshween Mudaliar	100,209	-	9,500	-	109,709	221,946	331,655
<i>Other Key Management Personnel:</i>							
Jessie Tao	63,927	-	6,073	-	70,000	44,389	114,389
Indira Naidu	32,234	-	3,062	-	35,296	-	35,296
	386,802	-	36,727	-	423,529	302,529	726,058

	Fixed remuneration				Variable remuneration		Total \$
	Cash salary and fees \$	Non-monetary \$	Super-annuation \$	Long-term benefits Long service leave \$	Subtotal \$	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
	390,541	-	36,219	-	426,760	199,998	626,758

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 2020, Mr Shen received \$56,856 salary. 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 2020, Mr Mudaliar received a salary of \$109,709. 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 2020, Ms Cray received a salary of \$41,667. 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 in the form of shares, to be issued if exercised at each anniversary date within the three years from date of commencement.

Name: Dr. Peter French
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2020, Dr French received a salary of \$58,334. 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, \$30,000 in the form of shares, to be issued if exercised at each anniversary date within the three years from date of commencement.

Name: Theo Renard
Title: Non-executive director
Agreement commenced: 24 January 2019
Term of agreement: Not fixed
Details: For the period ended 30 June 2020, Mr Renard received a salary of \$41,667. 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 in the form of shares, to be issued if exercised at each anniversary date within the three years from date of commencement.

Name: Leo Cui
Title: Non-executive director
Agreement commenced: 28 November 2019
Term of agreement: Not fixed
Details: For the period ended 30 June 2020, Mr Cui received a salary of \$10,000. Pursuant to Mr Cui's appointment letter, Mr Cui is offered a total of \$30,000 in the form of cash as remuneration as non-executive director.

Name: Jessie Tao
Title: Chief Financial Officer
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2020, Ms Tao received a salary of \$70,000. 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: 19 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2020, Ms Naidu received a salary of \$35,296. 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 to deferred shares

Rights to deferred shares under the executive STI scheme are granted on 28 February each year. The shares vest after two years from the grant date. On vesting, each right automatically converts into one ordinary share. The executives do not receive any dividends and are not entitled to vote in relation to the rights during the vesting period. If an executive ceases employment before the rights vest, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

The fair value of the rights is determined based on the market price of the company's shares at the grant date, with an adjustment made to take into account the two year vesting period and expected dividends during that period that will not be received by the employees.

The Performance Rights will be vested based on the following table provided that the Participants remain employees of any member entity in the Group as at the relevant Vesting Date. The Vesting Dates are set out as below:

Vesting Date	Percentage of the total offered Performance Rights to be vested
9 January 2020	33.33%
9 January 2021	33.33%
9 January 2022	33.33%

While the vesting condition applies to the Performance Rights, they are Unvested Performance Rights. If the vesting condition is not met, the relevant Unvested Performance Rights will be forfeited. Vesting conditions include both service and performance conditions.

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 2020 are set out below:

Name	Year Granted	Balance at start of the year Number	Granted during the year	Rights to deferred shares				Balance at end of year (unvested)
				Vested Number	%	Forfeited Number	%	
Yeshween Mudaliar	09.01.2019	2,500,000	-	833,333	33.33	-	-	1,666,667
Jessie Tao	09.01.2019	500,000	-	166,667	33.33	-	-	333,333

Name	Year Granted	Balance at start of the year Dollar	Granted during the year	Rights to deferred shares				Balance at end of year (unvested)
				Vested \$	%	Forfeited \$	%	
Peter French	02.11.2018	30,000	-	10,000	33.33	-	-	20,000
Tracey Cray	02.11.2018	30,000	-	10,000	33.33	-	-	20,000
Theo Renard	24.01.2019	30,000	-	10,000	33.33	-	-	20,000

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	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>				
Jhon Shen	250,000,000	-	-	250,000,000
	250,000,000	-	-	250,000,000

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:

	2020	2019
	\$	\$
<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	433,234	1,201,614

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 2020 and up to the date of this report.

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.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the officers of the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

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.

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

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 27 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 27 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 continues in office in accordance with section 327 of the *Corporations Act 2001*. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Limited on 8 July 2020.

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



Chairman
Dr Peter French

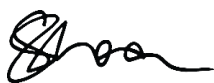
Sydney
31 August 2020

DECLARATION OF INDEPENDENCE BY NAME OF GILLIAN SHEA TO THE DIRECTORS OF MEDILAND PHARM LIMITED

As lead auditor of Mediland Pharm Limited for the year ended 30 June 2020, 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.



Gillian Shea
Director

BDO Audit Pty Ltd

Sydney, 31 August 2020

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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 by the directors, on 31 August 2020. 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 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Revenue	4	23,298,447	30,661,259
Cost of sales		(5,506,738)	(3,277,209)
Gross profit		17,791,709	27,384,050
Other income	4	109,722	770,867
Government grant		288,984	-
Marketing expenses		(15,366,550)	(19,890,782)
Occupancy expenses		(437,675)	(736,682)
Administrative expenses		(3,439,141)	(3,339,420)
Employee benefit expenses		(2,697,129)	(2,000,721)
Share-based payment expenses		(990,560)	(710,909)
Listing expenses		-	(589,711)
Finance costs	5	(180,527)	-
Profit/(Loss) before income tax expense		(4,921,167)	886,692
Income tax expense	6	187,874	897,936
(Loss) after income tax expense for the year attributable to the owners of Mediland Pharm Limited		(5,109,041)	(11,244)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(72,723)	18,164
Other comprehensive income for the year, net of tax		(72,723)	18,164
Total comprehensive income for the year attributable to the owners of Mediland Pharm Limited		(5,181,764)	6,920
		Cents	Cents
Earnings			
Basic earnings per share	19	(1.63)	(0.01)
Diluted earnings per share	19	(1.63)	(0.01)

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 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	7	7,304,139	12,047,350
Trade and other receivables	8	925,029	1,853,696
Inventories	9	1,411,204	866,949
Current tax assets		373,842	-
Total current assets		<u>10,014,214</u>	<u>14,767,995</u>
Non-current assets			
Property, plant, and equipment	10	3,031,398	2,143,074
Right-of-use assets	26	3,953,146	-
Intangibles	11	204,647	5,395
Goodwill	25	321,882	-
Deferred tax assets	6	1,014,350	153,057
Total non-current assets		<u>8,525,423</u>	<u>2,301,526</u>
Total assets		<u>18,539,637</u>	<u>17,069,521</u>
Liabilities			
Current liabilities			
Trade and other payables	12	3,704,391	3,477,155
Current tax liabilities		-	198,087
Provisions	13	50,854	36,460
Customer deposit	14	399,987	-
Lease – Short term liabilities	26	820,451	-
Total current liabilities		<u>4,975,683</u>	<u>3,711,702</u>
Non-current liabilities			
Deferred tax liabilities	6	1,398,224	317,228
Lease – Long term liabilities	26	3,391,058	-
Total non-current liabilities		<u>4,789,282</u>	<u>317,228</u>
Total liabilities		<u>9,764,965</u>	<u>4,028,930</u>
Net assets		<u>8,774,672</u>	<u>13,040,591</u>
Equity			
Issued capital	15	11,898,945	11,898,945
Reserves	16	1,643,838	800,219
Retained profits / (Accumulated losses)		<u>(4,768,111)</u>	<u>341,427</u>
Total equity		<u>8,774,672</u>	<u>13,040,591</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 2020

	Issued capital	Group restructure reserve	Foreign currency reserve	Share-based payments reserve	Retained Profits/ (Accumulated losses)	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
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 18)	-	-	-	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 15)	(653,877)	-	-	-	-	(653,877)
Dividends paid (note 17)	-	-	-	-	(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>
Consolidated	Issued capital	Group restructure reserve	Foreign currency reserve	Share-based payments reserve	Retained Profits/ (Accumulated losses)	Total equity
Consolidated	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	11,898,945	71,146	18,164	710,909	341,427	13,040,591
Reversal of share-based payment (note 18)	-	-	-	(74,218)	74,218	-
Impact of change in accounting policy – AASB16 (Note 26)	-	-	-	-	(74,715)	(74,715)
Restated balance at 1 July 2019	<u>11,898,945</u>	<u>71,146</u>	<u>18,164</u>	<u>636,691</u>	<u>340,930</u>	<u>12,965,876</u>
Loss after income tax expense for the year	-	-	-	-	(5,109,041)	(5,109,041)
Other comprehensive income for the year, net of tax	-	-	(72,723)	-	-	(72,723)
Total comprehensive income for the year	-	-	(72,723)	-	(5,109,041)	(5,181,764)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 18)	-	-	-	990,560	-	990,560
Balance at 30 June 2020	<u>11,898,945</u>	<u>71,146</u>	<u>(54,559)</u>	<u>1,627,251</u>	<u>(4,768,111)</u>	<u>8,774,672</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 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,271,223	32,566,547
Payments to suppliers and employees (inclusive of GST)		(25,773,774)	(33,678,800)
Interest received		109,722	62,110
Lease interests		(180,526)	-
Net income taxes paid		(547,635)	(751,475)
Government grants and tax incentives		288,984	-
		<u> </u>	<u> </u>
Net cash from/(used in) operating activities	29	<u>(1,832,006)</u>	<u>(1,801,618)</u>
Cash flows from investing activities			
Proceeds from disposal of plant and equipment		1,818	(757,450)
Payments to acquire plant and equipment	10	(1,319,481)	-
Purchase of intangibles	11	(112,325)	-
Payments to acquire investments	25	(800,000)	-
Lease payment (Principal)		(622,346)	-
Proceeds from disposal of plant and equipment		-	7,031
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(2,852,334)</u>	<u>(750,419)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	12,552,822
Share issue transaction costs		-	(653,877)
Dividends paid	17	-	(5,302,233)
		<u> </u>	<u> </u>
Net cash from/ (used in) financing activities		<u>-</u>	<u>6,596,712</u>
Net increase/(decrease) in cash and cash equivalents		(4,684,340)	4,044,675
Cash and cash equivalents at the beginning of the financial year		12,047,350	8,002,675
Effects of exchange rate changes on cash and cash equivalents		(58,871)	-
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	7	<u>7,304,139</u>	<u>12,047,350</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.

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).

New Standards and interpretations note yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. The Group’s assessment of the impact of these new standards and interpretations is set out below.

AASB 101 Presentation of Financial Statements

The AASB issued a narrow-scope amendment to AASB 101 of Financial Statements to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendment also clarifies what AASB 101 means when it refers to the settlement of a liability.

Entities should consider their existing classification in light of the amendment and determine whether any changes are required. The Amendment should be applied for annual reporting periods on or after 1 January 2022. Management are still assessing the impact on adopting the amendment to AASB 101.

There are no other standards that are not yet effective that would be expected to have a material impact on the Group in the current or future years and on foreseeable future transactions.

(b) Going concern

The financial report has been prepared on a going concern basis. Notwithstanding the Group generated a loss after-tax of \$5,109,041, those non-recurring expenses includes share-based payment amounting to \$990,560. Furthermore, the Group had a net assets position at 30 June 2020 of \$8,774,672 and cash on hand amount of \$7,304,139. 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.

However, the impact of COVID-19 did result in some reduction in financial performance for the year. The directors has been addressing the ongoing COVID-19 environment by actively engaging in conserving cash reserves by closing 4 retail stores and diversifying the business into e-commerce and selling Mediland branded products through a leading hotel chain and a Sydney-based pharmacy. This strategy of diversifying revenues to offset the challenges from the COVID-19 continue to be successful. Meantime, the management has instituted a range of measures to significantly reduce costs.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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.

(d) 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.

(e) 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 recognized 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.

(f) 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)

(g) 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	8
Provision for impairment of inventories	9
Estimation of useful lives of assets	10
Recovery of deferred tax assets	6
Share based payments	18
Impairment of goodwill	25
Lease term and incremental borrowing rate	26

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 7 to 9. For the year ended 30 June 2020, the Group examines the group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

- Retailer servicing the Chinese inbound tourism sector in Australia and New Zealand.
- Online sales through E-commerce Platform.

Profit and loss disclosure

	Retail 2020 \$	Online 2020 \$	Total 2020 \$	Retail 2019 \$	Online 2019 \$	Total 2019 \$
Sale of goods						
Australia	(15,543,827)	(1,231,898)	(16,775,725)	(22,776,869)	-	(22,776,869)
New Zealand	(2,890,347)		(2,890,347)	(2,639,808)	-	(2,639,808)
	<u>(18,434,174)</u>	<u>(1,231,898)</u>	<u>(19,666,072)</u>	<u>(25,416,677)</u>	<u>-</u>	<u>(25,416,677)</u>
Commission received						
Australia	(1,587,677)	-	(1,587,677)	(5,244,582)	-	(5,244,582)
New Zealand	(2,044,698)	-	(2,044,698)	-	-	-
	<u>(3,632,375)</u>	<u>-</u>	<u>(3,632,375)</u>	<u>(5,244,582)</u>	<u>-</u>	<u>(5,244,582)</u>
Other revenue						
Australia	(96,764)	-	(96,764)	(769,565)	-	(769,565)
New Zealand	(12,958)	-	(12,958)	(1,302)	-	(1,302)
	<u>(109,722)</u>	<u>-</u>	<u>(109,722)</u>	<u>(770,867)</u>	<u>-</u>	<u>(770,867)</u>
Government grant						
Australia	(276,026)	-	(276,026)	-	-	-
New Zealand	(12,958)	-	(12,958)	-	-	-
	<u>(288,984)</u>	<u>-</u>	<u>(288,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: COGS						
Australia	4,124,976	933,011	5,057,987	3,194,658	-	3,194,658
New Zealand	448,751		448,751	82,551	-	82,551
	<u>4,573,727</u>	<u>933,011</u>	<u>5,506,738</u>	<u>3,277,209</u>	<u>-</u>	<u>3,277,209</u>
Operating expense						
Australia	16,929,601	639,516	17,569,117	24,580,767	-	24,580,767
New Zealand	4,551,905	-	4,551,905	1,386,838	-	1,386,838
	<u>21,481,506</u>	<u>639,516</u>	<u>22,121,022</u>	<u>25,967,605</u>	<u>-</u>	<u>25,967,605</u>
Segment (profit) or loss	3,589,978	340,629	3,930,607	(2,187,312)	-	(2,187,312)
Add:						
Listing expenses			-			589,711
Share-based payment			990,560			710,909
Income tax expense			187,874			897,936
Net loss			5,109,041			11,244

Note 3. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

	Retail 2020 \$	Online 2020 \$	Total 2020 \$	Retail 2019 \$	Online 2019 \$	Total 2019 \$
Segment assets						
Australia	14,388,196	1,420,508	15,808,704	14,618,101	-	14,618,101
New Zealand	1,716,583	-	1,716,583	2,298,363	-	2,298,363
Total segment assets	16,104,779	1,420,508	17,525,287	16,916,464	-	16,916,464
Unallocated assets			1,014,350			153,057
Total assets as per the balance sheet			18,539,637			17,069,521
Segment liabilities						
Australia	(6,871,749)	(1,021,260)	(7,893,009)	(2,850,309)	-	(2,850,309)
New Zealand	(790,960)	-	(790,960)	(861,393)	-	(861,393)
Total segment liabilities	(7,662,709)	(1,021,260)	(8,683,969)	(3,711,702)	-	(3,711,702)
Unallocated liabilities			(1,080,996)			(317,228)
Total liabilities as per the balance sheet			(9,764,965)			(4,028,930)

Note 4. REVENUE AND OTHER INCOME

	June 2020 \$	June 2019 \$
Revenue		
Sale of goods	19,666,072	25,416,677
Commission received	3,632,375	5,244,582
Total revenue	23,298,447	30,661,259
Other income		
Interest income	92,057	62,110
Other income	17,665	708,757
Total other income	109,722	770,867

Recognition and Measurement

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.

App online sales

App online sales include shipping revenue and are recorded upon delivery to the customer. The Group recognised revenue when persuasive evidence of an arrangement exist, delivery has occurred, the sales price is fixed or determinable and collection is probable. Product is considered delivered to the customer once it has been shipped and title, risk or loss and reward of ownership have been transferred.

Note 4. REVENUE AND OTHER INCOME (CONTINUED)

Discount, promotional and other rebates

The amount of revenue recognised for a transaction is net of any discounts, promotional and other rebates, which includes member rebates, and/or contributions to members towards promotional activities.

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

Note 5. EXPENSES

	June 2020	June 2019
	\$	\$
<i>Finance costs</i>		
Interest charges paid/payable for lease liabilities	180,527	-
<i>Superannuation expenses</i>		
Defined contribution superannuation expenses (including non-executive Director)	163,556	133,169
<i>Items included in administrative expenses include</i>		
Enti Financial acquisition expenses	10,000	-
Depreciation and amortisation expenses	408,720	170,492
Depreciation of right of use asset	869,882	-

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year, in this case 5.0%.

Note 6. INCOME TAX EXPENSES

	June 2020	June 2019
	\$	\$
Income tax expense / (benefit)		
Current tax	(31,829)	613,191
Deferred tax	219,703	284,745
	187,874	897,936
Numerical reconciliation of income tax to prima facie tax payable:		
Prima facie income tax expense on loss from ordinary activities (28%-30%)	(1,476,350)	266,008
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Tax consolidation adjustments	-	418,793
Non-deductible share-based payment expenses	297,168	213,135
Non-deductible amortisation and depreciation	163,449	-
Difference in overseas tax rates	143,771	-
Adjustment for deferred tax of prior periods	236,042	-
Less: Tax loss not recognised	823,794	-
Income tax expense	187,874	897,936

**** 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

Note 6. INCOME TAX EXPENSES (CONTINUED)

Reconciliation of DTA and DTL

	DTA	DTL
Balance at 1 July 2019	153,057	317,228
Adjustment for prior periods	(92,876)	143,166
Lease liabilities/assets	1,263,453	1,185,944
Other temporary differences	(309,284)	(248,114)
Balance at 30 June 2020	1,014,350	1,398,224

Potential deferred tax assets attributable to tax losses carried forward for the company, have not been brought to account as the directors believe it is not appropriate to regard realisation of the deferred tax asset as probable. The benefit will only be obtained if:

- The group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;
- The group continues to comply with the conditions for deductibility imposed by the law;
- The losses are available under the continuity of ownership or same business tests;
- No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

The total amount of unused tax losses for which no deferred tax asset has been recognized is \$2,745,979, tax effected at 30% \$823,794. (2019: Nil)

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.

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 7. CASH AND CASH EQUIVALENTS

	June 2020 \$	June 2019 \$
Cash on hand	63,621	123,226
Cash at bank	7,240,518	11,924,124
	<u>7,304,139</u>	<u>12,047,350</u>

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% (2018-19: between 0.00% and 2.40%).

Note 8. TRADE AND OTHER RECEIVABLES

	June 2020 \$	June 2019 \$
Trade receivables	78,098	647,347
		<u>647,347</u>
Other receivables	681,088	495,787
Deposits	90,161	113,916
GST receivables	75,682	596,646
	<u>846,931</u>	<u>1,206,349</u>
	<u>925,029</u>	<u>1,853,696</u>

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 mainly include prepayments of \$500,000 to Careline Australia Pty Ltd to develop two beauty products for Mediland Pharm to exclusively market and sell globally, including in its retail outlet.

Note 9. INVENTORIES

	June 2020 \$	June 2019 \$
Finished goods – at cost	1,411,204	866,949
	<u>1,411,204</u>	<u>866,949</u>

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. Net reliable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 9. INVENTORIES (CONTINUED)

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 10. PROPERTY, PLANT AND EQUIPMENT

	June 2020 \$	June 2019 \$
Fixtures and fittings - at cost	1,503,861	1,471,470
Less: Accumulated depreciation	(176,933)	(118,842)
	<u>1,326,928</u>	<u>1,352,628</u>
Motor vehicles - at cost	327,626	295,597
Less: Accumulated depreciation	(140,290)	(89,791)
	<u>187,336</u>	<u>205,806</u>
Office equipment - at cost	228,298	112,443
Less: Accumulated depreciation	(91,502)	(36,061)
	<u>136,796</u>	<u>76,382</u>
Lease improvement – at cost	1,682,845	570,024
Less: Accumulated depreciation	(302,507)	(61,766)
	<u>1,380,338</u>	<u>508,258</u>
Total property, plant, and equipment	<u>3,031,398</u>	<u>2,143,074</u>

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 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
Reclassification to intangible	-	-	26,049	(26,049)	-
Adjusted balance as at 1 July 2019	205,806	1,352,628	102,431	482,209	2,143,074
Additions	52,267	32,414	94,068	1,140,732	1,319,481
Disposals	(6,464)	-	-	-	(6,464)
Reclassification	-	-	(6,000)	-	(6,000)
Write-off	(13,009)	-	-	-	(13,009)
Exchange differences	-	(23)	(68)	-	(91)
Depreciation expense	(51,264)	(58,091)	(53,635)	(242,603)	(405,593)
Balance at 30 June 2020	<u>187,336</u>	<u>1,326,928</u>	<u>136,796</u>	<u>1,380,338</u>	<u>3,031,398</u>

Recognition and Measurement

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

Note 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 11. INTANGIBLES

	June 2020 \$	June 2019 \$
Patent and trademark - at cost	122,243	5,917
Less: Accumulated amortisation	2,996	522
	119,247	5,395
Customer relationship - at cost	80,000	-
Less: Accumulated amortisation	-	-
	80,000	-
Website – at cost	6,000	-
Less: Accumulated amortisation	600	-
	5,400	-
Total	204,647	5,395

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	Patent and Trademark \$	Customer Relationship \$	Website \$	Total \$
Balance at 1 July 2018	-	-	-	-
Additions	5,917	-	-	5,917
Amortisation expense	(522)	-	-	(522)
Balance at 30 June 2019	5,395	-	-	5,395

Note 11. INTANGIBLES (CONTINUED)

Consolidated	Patent and Trademark \$	Customer Relationship \$	Website \$	Total \$
Balance at 1 July 2019	5,395	-	-	5,395
Additions through business acquisition:				
- Customer relationship	-	80,000	-	80,000
- Patent	10,000	-	-	10,000
Other additions	106,325	-	6,000	112,325
	121,720	80,000	6,000	207,720
Amortisation expense	(2,527)	-	(600)	(3,127)
Exchange difference	54	-	-	54
	119,247	80,000	5,400	204,647

Intangible assets are measured at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each identifiable asset with a finite life.

Customer Relationship

Customer relationship were acquired as part of a business combination (see Note 25 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Customer relationship have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 5 years.

Patent and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each patent and trademark. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 10 years.

Note 12. TRADE AND OTHER PAYABLES

	June 2020 \$	June 2019 \$
Trade payables	3,251,611	2,972,504
Other payables – related parties	197,961	197,961
Other payables	254,819	306,690
	3,704,391	3,477,155

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 20.

Note 13. PROVISIONS

	June 2020 \$	June 2019 \$
Employee benefits	50,854	36,460
	<u>50,854</u>	<u>36,460</u>

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 14. CUSTOMERS DEPOSIT

	June 2020 \$	June 2019 \$
Customers deposit	399,987	-
	<u>399,987</u>	<u>-</u>

Recognition and Measurement

Customer deposits are received in cash, and they are refundable to customers upon the same amount purchase orders are placed and fulfilled. The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

Note 15. ISSUED CAPITAL

	June 2020 \$	June 2019 \$
Fully paid ordinary shares	12,552,822	12,552,822
Less: share issue cost	(653,877)	(653,877)
	<u>11,898,945</u>	<u>11,898,945</u>

Note 15. ISSUED CAPITAL (CONTINUED)

(a) Fully paid ordinary shares

	June 2020	June 2019
	Number of shares	Number of shares
At the beginning of the year	312,763,610	1
Shares split during the year	-	249,999,999
IPO shares issued during the year	-	62,763,610
	312,763,610	312,763,610

	June 2020	June 2019
	\$	\$
At the beginning of the year	12,552,822	1
Shares split during the year	-	99
IPO shares issued during the year	-	12,552,722
	12,552,822	12,552,822

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 16. RESERVE

	June 2020	June 2019
	\$	\$
Foreign currency reserve	(54,559)	18,164
Share-based payments reserve	1,627,251	710,909
Group restructure reserve	71,146	71,146
	1,643,838	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.

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 18.

Note 17. DIVIDEND

	June 2020 \$	June 2019 \$
Dividend paid to PMG before admitted to ASX	-	5,302,233

There were no dividends paid, recommended or declared during the current financial year.

Note 18. 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 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. There were no rights granted during the year ended 30 June 2020.

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

2020

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	-	-	1,250,000	10,750,000
			12,000,000	-	-	1,250,000	10,750,000

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

2020

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
24/01/2019	24/01/2022	\$0.00	\$30,000	-	\$10,000	-	\$20,000
02/11/2018	02/11/2021	\$0.00	\$60,000	-	\$20,000	-	\$40,000
			\$90,000	-	\$30,000	-	\$60,000

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.

Note 18. SHARE BASED PAYMENT (CONTINUED)

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 19. LOSS/EARNINGS PER SHARE

	June 2020	June 2019
	\$	\$
a. Earnings used to calculate basic EPS from continuing operations	(5,109,041)	(11,244)
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS*	312,763,610	183,485,022
c. Basic and Diluted earnings per share (cents per share)	(1.63)	(0.01)

*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 20. 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:

Consolidated	Assets		Liabilities	
	2020	2019	2020	2019
	\$	\$	\$	\$
New Zealand dollars	1,832,054	2,298,363	1,020,385	1,102,614
Chinese Yuan	1,151,276	-	1,599,507	
	<u>2,983,330</u>	<u>2,298,363</u>	<u>2,619,892</u>	<u>1,102,614</u>

The Group had net assets denominated in foreign currencies of \$363,438 (assets of \$2,983,330 less liabilities of \$2,619,892) as at 30 June 2020 (2019: net assets of \$1,195,749). Based on this exposure, had the Australian dollars weakened by 3%/strengthened by 3% against these New Zealand dollar with all other variables held constant, the Group 's profit before tax for the year would have been \$19,397 lower/\$19,397 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 2020 was \$Nil (2019: Nil).

Note 20. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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 2020 owed the Group \$36,717. (2019: \$527,907). This balance was within its terms of trade and no impairment was made as at 30 June 2020. 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.

Consolidated - 2020	Weighted average interest rate %	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Total contractual cash flows \$	Total Carrying amount \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	3,251,611	-	-	3,251,611	3,251,611
Other payables	-	452,780	-	-	452,780	452,780
Lease liabilities- Current	5%	1,013,817	-	-	1,013,817	820,451
Lease liabilities- Non-Current	5%	-	3,757,413	-	3,757,413	3,391,058
Total non-derivatives		4,718,208	3,757,413	-	8,475,621	7,915,900

Note 20. FINANCIAL INSTRUMENTS (CONTINUED)

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

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 21. 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 22. 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	
		2020 %	2019 %
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%
Enti Financial Pty Ltd	Australia	100.00%	-
Share We Do Platform Technology Services Co., Ltd	China	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.

Note 22. SUBSIDIARIES (CONTINUED)

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 23. PARENT ENTITY INFORMATION

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

	June 2020	June 2019
	\$	\$
Current assets	6,526,192	10,222,992
Total assets	9,460,667	11,845,991
Current liabilities	685,995	71,839
Total liabilities	685,995	309,387
<i>Equity</i>		
Issued capital	11,898,945	11,898,945
Reserves	1,701,469	710,909
Retained earnings	(4,825,742)	(1,073,250)
	<u>8,774,672</u>	<u>11,536,604</u>
(Loss) / profit for the year	<u>(3,752,492)</u>	<u>676,748</u>
Total comprehensive (loss) / income for the year	<u>(3,752,492)</u>	<u>676,748</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 (2019: \$0).

Capital commitments

The parent entity had no capital commitments for property, plant, and equipment at as 30 June 2020 (2019: \$0).

Note 24: 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 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2020	2019
	\$	\$
<i>Sale of goods and services:</i>		
Promotion fee charged by Darling Harbour Pty Ltd to Auckland Harbour Limited	<u>-</u>	<u>723,391</u>
<i>Payment for goods and services:</i>		
Management fee paid to Aust & Nz Group Pty Ltd	<u>433,234</u>	<u>1,201,614</u>

Note 24: RELATED PARTY TRANSACTIONS (CONTINUED)

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:

	2020	2019
	\$	\$
<i>Current borrowings:</i>		
Loan from Pacific Merchant Group Limited	197,961	197,961

The loan from Pacific Merchant Group Limited ("PMG") arise from listing costs paid by PMG during IPO.

Note 25. BUSINESS COMBINATION

On 22 July 2019, the Mediland Pharm Limited acquired 100% shares of Enti Financial Pty Ltd, a Sydney based Company. With this acquisition, the Group expects to expand its business to e Commerce market. From 22 July 2019 to 30 June 2020, Enti Financial Pty Ltd's revenue amount of \$3.88 million and loss before tax amount of \$347,763 has been consolidated into Group result.

Consideration transferred

Amount settled in cash	\$ 800,000
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Detail of the acquisition are as follows:

Property plant and equipment	8,501
Inventories	298,750
Trade and other receivables	16,976
Right-of-use-assets	1,197,431
Lease liabilities	(1,133,540)
Net identifiable net assets at fair value	<u>388,118</u>

Intangible assets acquired during the transaction

Customer relationship	80,000
Patents	10,000
Net intangible at fair value	<u>90,000</u>

Goodwill

321,882

Acquisition date fair value of the total consideration transferred

800,000

Representing:

Cash paid to vendor	800,000
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Acquisition costs expensed to profit or loss

21,000

Business Combination

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

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

Note 25. BUSINESS COMBINATION (CONTINUED)

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred. The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Goodwill on acquisitions of Enti Financial Pty Ltd is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using the estimated growth rate stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

CGU	Revenue growth (% annual growth rate)	Budgeted gross margin (%)	Discount Rate (%)
Enti Financial Pty Ltd	0%	25%	17%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumptions	Approach used to determining values
Revenue growth (%)	Due to the impact of COVID-19, nil growth is expected by management.
Budgeted gross margin (%)	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Note 26. ADOPTION OF AASB 16 - LEASE

Transition approach

The Group has adopted AASB 16 using the simplified transition approach and has not restated comparative amounts. The Group has measured its lease liabilities at the present value of the remaining lease payments, discounted using the appropriate incremental borrowing rates as of 1 July 2019. The associated right-of-use-assets were measured on transition as if the new Standard had been applied since the commencement date of the lease. The adjustments arising from the new leasing rules are recognised in the opening balance of retained earnings on 1 July 2019.

Adjustments recognised on adoption of AASB 16

Adjustments to the Statement of Financial Position at 1 July 2019

	30 June 2019	Adjustments	1 July 2019
Right-of-use-assets	-	1,536,751	1,536,751
Lease liabilities	-	1,611,471	1,611,471
Retained earnings adjustment	341,427	(74,715)	266,712

Note 26. ADOPTION OF AASB 16 – LEASE (CONTINUED)

		Consolidated 30 June 2020 \$	
Assets			
Right of use assets (AASB 16)		<u>3,953,146</u>	
Liabilities			
Lease Liabilities – current (AASB 16)		820,451	
Lease Liabilities – non-current (AASB 16)		<u>3,391,058</u>	
		<u>4,211,509</u>	
Interest expense charged for the period		<u>180,521</u>	
Reconciliation of right-of-use-assets			
		\$	
<i>Right-of-use-assets recognised upon transition</i>			
Balance at 1 July 2019		1,536,751	
Right-of-use-assets through business combination		1,197,431	
Lease arrangements entered into during the period		2,088,846	
Amortisation expense		<u>(869,882)</u>	
Balance at 30 June 2020		<u>3,953,146</u>	
Reconciliation of lease liability			
		\$	
<i>Lease liability recognised upon transition</i>			
Balance at 1 July 2019		1,611,471	
Lease liability recognised through business combination		1,133,540	
Lease arrangements entered into during the period		2,088,846	
Interest expense and cash payments		<u>(622,348)</u>	
Balance at 30 June 2020		<u>4,211,509</u>	
Reconciliation of operating lease commitment at 30 June 2019 to lease liability at 1 July 2019			
		\$	
Lease commitment at 30 June 2019		1,626,815	
Discounted using the Group's incremental borrowing rate at the date of initial application		(168,147)	
Less: termination of leases as at 1 July 2019		(256,003)	
Add: adjustments as a result of different treatment on extension and termination options		<u>408,806</u>	
Lease liability at 1 July 2019		<u>1,611,471</u>	
Of which are:			
Lease Liabilities – current (AASB 16)		389,921	
Lease Liabilities – non-current (AASB 16)		<u>1,221,550</u>	
		<u>1,611,471</u>	
Lease	Location	Term	Interest rate
Head office	Sydney CBD	From 14 November 2018 to 30 June 2022	5%
Shop	Melbourne	From 15 March 2016 to 14 March 2022	5%
Shop	Gold Coast	From 7 August 2019 to 6 August 2025	5%
Shop	Sydney, George St.	From 1 September 2018 to 31 August 2021	5%
Shop	Sydney, George St.	From 15 November 2018 to 14 November 2023	5%
Shop	Sydney, Castlereagh St.	From 1 July 2019 to 30 June 2024	5%
Shop	New Zealand	From 1 November 2018 to 31 October 2024	5%
Warehouse	Sydney, Clyde	From 13 August 2014 to 12 August 2020	5%

Note 26. ADOPTION OF AASB 16 – LEASE (CONTINUED)

Assessment of Impact

As at 30 June 2019, the Group had non-cancellable operating lease commitments of \$1,626,815. The Group has completed an assessment of the impact of adoption of AASB 16 on these commitments.

The full financial impact of adopting AASB 16 on implementation date are as follows:

- A material right-of-use asset amount of \$1,536,751 and a lease liability amount of \$1,611,471 had been recognised on the Balance Sheet.
- Finance costs increased by \$180,521 due to the impact of the interest component of the lease liability.
- Depreciation expense increased by \$869,882 due to depreciation of the right-of-use asset over the lease term.
- Lease rental operating expenses reduced by \$802,864 to nil.

In the Cash Flow Statement, operating cash outflows decreased by \$802,864 and financing cash outflows increased by the same amount as repayment of the principal balance in the lease liability has classified as a financing activity.

Key estimates and judgements

Lease term

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

Incremental borrowing rate

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

Note 27. AUDITORS REMUNERATION

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

	2020	2019
	\$	\$
<i>BDO</i> ¹		
Audit and review of the financial statements	72,474	74,500
Other non-audit services – tax return and other tax related matter	258,031	771,422
Total fee	<u>330,505</u>	<u>845,922</u>

¹The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd in June 2020. The disclosure includes amounts received or due and receivable by BDO East Coast Partnership, BDO Audit Pty Ltd and their respective related entities.

Note 28. 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:

	2020	2019
	\$	\$
Short-term employee benefits	386,802	390,541
Post-employment benefits	36,727	36,219
Share-based payments	302,529	199,998
	<u>726,058</u>	<u>626,758</u>

Note 29. CASH FLOW INFORMATION

	2020	2019
	\$	\$
(Loss) after income tax expense for the year	(5,109,041)	(11,244)
Adjustments for:		
Depreciation and amortisation	1,278,602	170,492
Share-based payments	990,560	710,909
Foreign exchange differences	32,325	14,635
Change in operating assets and liabilities (net of acquired business):		
Decrease / increase in trade and other receivables	751,429	(530,882)
Increase in inventories	(237,084)	(398,044)
Increase in deferred tax assets	(861,293)	(32,483)
Increase / decrease in trade and other payables	806,570	(1,923,210)
Decrease in provision for income tax	(579,464)	(138,284)
Increase in deferred tax liabilities	1,080,996	317,228
Increase in other provisions	14,394	19,265
Net cash from/ (used in) operating activities	<u>(1,832,006)</u>	<u>(1,801,618)</u>

Note 30. CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Note 31. AFTER BALANCE DATE EVENTS

On 7 July 2020, Performance Rights totaling 4,433,333 granted under the FY 2019 Long Term Incentive Plan (LTIP) have lapsed or been forfeited.

No other matter or circumstance has arisen since 30 June 2020, that has significantly affected the Groups's operations, results or the state of affairs or may do so in future 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 2020 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
31 August 2020



Yeshween Mudaliar
Managing Director

Sydney
31 August 2020

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 2020, 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the 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.

Accounting for the business combination

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 25 of the financial report, on 22 July 2019, Mediland Pharm Limited acquired 100% of the shares of Enti Financial Pty Ltd, a Sydney based Company. The acquisition resulted in the recognition of intangible assets and goodwill.</p> <p>This is a key audit matter due to the complexity of accounting for business combinations, the estimates and judgements required by management determining the fair value of the assets and liabilities acquired in the business combination, and as such required significant auditor attention.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> • Reviewing the share purchase agreement to ensure all assets, liabilities and potential contingent liabilities had been identified at the date of acquisition; • Performing detailed testing on the assets and liabilities acquired as at the date of acquisition; • Assessing the work performed by the management in relation to the purchase price allocation, including the identification and valuation of separately identifiable intangibles, and the resulting goodwill calculation; • Reviewing management’s assessment of the recoverability of intangible assets at year end, including testing the mechanics of and challenging the assumptions used in the value-in-use model; • Assessing the reasonableness of the useful economic lives of the separately identifiable intangible assets recognised; • Considering the tax effect accounting implications on Enti Financial Pty Ltd joining the Mediland Pharm Limited tax consolidated group; and • Ensuring that the resulting business combination has been accounted for and appropriately disclosed in accordance with AASB 3 <i>Business Combinations</i>.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors’ Report (excluding the audited Remuneration Report section) for the year ended 30 June 2020, but does not include the financial report and the auditor’s report thereon, which we obtained prior to the date of this auditor’s report, and the Annual Report to Shareholders, which is expected to be made available to us after that date.



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

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

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

When we read the Annual Report to Shareholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 under the heading 'Remuneration Report' for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Mediland Pharm Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'Gillian Shea'.

Gillian Shea
Director

Sydney, 31 August 2020