



MEDILAND

Pharm Limited

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2018

MEDILAND

Pharm Limited

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DIRECTORS' REPORT

The directors present their report, together with the consolidated financial statements of the Group consisting of Mediland Pharm Limited (referred to hereafter as the “company” or “parent entity”), including Darling Harbour Pty Ltd, St Wells Pty Ltd and Surfers Paradise Pty Ltd (referred to hereafter as the “Group”), for the half-year ended 31 December 2018 together with the independent review report thereon. The interim consolidated financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Mediland Pharm Limited was incorporated in New South Wales on 27 August 2018.

Group Restructuring

In anticipation of the Initial Public Offering of the company's shares on the Australian Securities Exchange, Pacific Merchants Group Limited (PMG), the parent entity of the company, undertook a group restructure whereby PMG's ownership of its Australian businesses was transferred to the company. The Australian businesses comprised PMG's wholly owned subsidiaries; Darling Harbour Pty Ltd, St. Wells Pty Ltd and Surfers Paradise Pty Ltd. As the Australian businesses were controlled by the same party both before and after, the restructure constituted a business combination under common control.

Directors and Officers

The following persons were the directors of the company during the whole of the half-year and up to the date of this report:

Jhon Shen	(Executive director, appointed 27 August 2018)
Yeshween Mudaliar	(Managing director, appointed 27 August 2018)
Peter French	(Non-executive director and Chairman, appointed 1 November 2018)
Tracey Cray	(Non-executive director, appointed 27 August 2018)
Theo Renard	(Non-executive director, appointed 24 January 2019)
Indira Naidu	(Company Secretary)
Jessie Tao	(Chief financial officer)

Principal activities

The Group operates a retail business, with three retail outlets in Sydney, Melbourne and Gold Coast focused on serving inbound Chinese tourists, who typically visit the outlets during an organised group tour. There were no significant changes in the principal activities of the Group during the period under review.

Dividends Declared

A fully franked dividend of \$3,552,233 for the year ended 30 June 2018 was declared and paid on 16 October 2018 to PMG, the owner of the Australian businesses prior to the restructuring of the Group.

Review of operations and financial results

Through this report, the directors seek to provide information to the Company's shareholders and the market regarding the results achieved for the half year ended 31 December 2018.

The Group realised an after-tax profit from continuing operations of \$378,411. for the half year ended 31 December 2018 which represented a decrease of 76% compared to the half year ended 31 December 2017. The decrease in profit was primarily due to the one-off listing expense of \$552,695 as well as a 24% decrease in revenue from the prior comparative period. The decrease in revenue in comparison to same period last year was due to a lower number of large incentive groups compared to the same period last year which had an unusually high number of large incentive groups. Such fluctuations are difficult to predict.

The Group's cash and cash equivalents were \$1,395,430 as at 31 December 2018.

Events after the end of the reporting period

On 22 February 2019, the Group was admitted to the Official List of the Australian Securities Exchange (ASX), completing an initial Public Offering (IPO) of 64,763,610 new shares at an issue price of \$0.20, raising \$12,952,722 before transaction costs.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the year which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the future years.

Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in financial/directors' reports) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the Directors' Report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of the directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Peter French
Chairman

27 February 2019
Sydney

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

As lead auditor for the review of Mediland Pharm Limited for the half-year ended 31 December 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 27 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
Revenue	2	13,358,134	17,535,046
Cost of sales		(1,399,723)	(2,067,126)
Gross profit		11,958,411	15,467,920
Other income		9,917	36,028
Marketing expenses		(8,131,226)	(10,747,409)
Occupancy expenses		(269,937)	(299,662)
Administrative expenses		(1,667,875)	(1,510,833)
Employee benefit expenses		(799,097)	(727,526)
Listing expenses		(552,695)	-
Other expenses		-	(758)
Profit before income tax expense		547,498	2,217,760
Income tax expenses		(169,087)	(666,687)
Profit after income tax for the half year attributable to members of Mediland Pharm Limited		378,411	1,551,073
Other comprehensive income		-	-
Total comprehensive income for the half year attributable to members of Mediland Pharm Limited		378,411	1,551,073
Earnings per share for the period		Cents	Cents
Basic earnings per share		0.52	2.11
Diluted earnings per share		0.52	2.11

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS		
Cash and cash equivalents	1,395,430	8,002,675
Trade and other receivables	2,291,976	1,322,814
Inventories	500,761	468,905
TOTAL CURRENT ASSETS	4,188,167	9,794,394
NON-CURRENT ASSETS		
Plant and equipment	1,665,506	1,570,104
Investments	-	2
Deferred tax assets	227,954	120,574
TOTAL NON-CURRENT ASSETS	1,893,460	1,690,680
TOTAL ASSETS	6,081,627	11,485,074
CURRENT LIABILITIES		
Trade and other payables	3,494,007	5,476,603
Provisions	35,292	17,195
Income tax payable	-	336,371
TOTAL CURRENT LIABILITIES	3,529,299	5,830,169
TOTAL LIABILITIES	3,529,299	5,830,169
NET ASSETS	2,552,328	5,654,905
EQUITY		
Contributed equity	100	1
Restructure reserve	71,146	-
Retained earnings	2,481,082	5,654,904
TOTAL EQUITY	2,552,328	5,654,905

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity	Group restructure reserve	Retained Earnings	Total
	\$	\$	\$	\$
BALANCE AT 1 JULY 2017	1	-	10,226,871	10,226,872
Profit for the half year	-	-	1,551,073	1,551,073
Other comprehensive income	-	-	-	-
Total comprehensive income for the half year	-	-	1,551,073	1,551,073
BALANCE AT 31 DECEMBER 2017	1	-	11,777,944	11,777,945
BALANCE AT 1 JULY 2018	1	-	5,654,904	5,654,905
Profit for the half year	-	-	378,411	378,411
Other comprehensive income	-	-	-	-
Total comprehensive income for the half year	-	-	378,411	378,411
<i>Transactions with owners in their capacity as owners</i>				
Group restructure	(1)	71,146	-	71,145
Shares issued during restructuring	100	-	-	100
Dividends paid to PMG	-	-	(3,552,233)	(3,552,233)
	100	71,146	(3,552,233)	(3,480,988)
BALANCE AT 31 DECEMBER 2018	100	71,146	2,481,082	2,552,328

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half-year ended 31 December 2018 \$	Half-year ended 31 December 2017 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	13,515,085	17,501,742
Payments to suppliers and employees including listing cost	(15,698,047)	(15,771,933)
Interest received	7,105	18,702
Interest paid	-	(758)
Net income taxes paid	(731,109)	(1,463,710)
Net cash (used in)/provided by operating activities	(2,906,966)	284,043
CASH FLOW FROM INVESTING ACTIVITIES		
Payments to acquire plant and equipment	(148,146)	(437,914)
Net cash used in investing activities	(148,146)	(437,914)
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid to PMG	(3,552,233)	-
issue of shares	100	-
Net cash used in financing activities	(3,552,133)	-
Net decrease in cash held	(6,607,245)	(153,871)
Cash and cash equivalents at beginning of the financial half year	8,002,675	9,460,520
Cash and cash equivalents at the end of the financial half year	1,395,430	9,306,649

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below.

Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of *Corporations Act 2001* and Australian Accounting Standards AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest annual financial statements of the Group which is a continuation of the pre-existing accounting values of assets and liabilities in the Pacific Merchants Group Limited financial statements. The accounting policies of the Group remain consistent with those disclosed in the Pacific Merchants Group Limited financial statements. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2018, together with any public announcements made by the company.

The same accounting policies and methods of computation have been followed in this interim consolidated financial report as were applied in the most recent annual financial report as at and for the year ended 30 June 2018, except for the policies stated below.

New or amended Accounting Standards and Interpretations Adopted

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(i) AASB 9: Financial Instruments

The consolidated entity has adopted AASB9 - Financial Instruments for the current financial year. This has resulted in a change to accounting policy with regards impairment but has not resulted in any change to prior year comparative figures.

New or amended Accounting Standards and Interpretations Adopted (continued)

Impairment

The Group applies the AASB9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Losses incurred in the last 2 years represent less than 0.01% of receivables and are immaterial. Therefore, no impairment has been recorded.

(ii) AASB15 - Revenue from contracts with customers

The consolidated entity has adopted AASB15 - Revenue from contracts with customers for the current financial year. This has resulted in changes to accounting policy but has not resulted in any change to prior year comparative figures.

The product Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the amount of revenue can be measured reliably, and it is probable that payment will be received by the Group.

Impact of standards issued but not yet applied by the entity

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The consolidated entity will adopt this standard from 1 July 2019. Management is currently in the process of determining the effects of the implementation of AASB 16 on the financial statements.

Group Restructuring

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

The consolidated financial report of the Group for the half year ended 31 December 2018 has been presented as a continuation of the Australian businesses together with the parent entity Mediland Pharm Limited. The comparative information presented in the financial statements represents the financial position and financial performance of the then parent PMG, and the Australian businesses.

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

NOTE 2: REVENUE

	Half-year ended 31 December 2018	Half-year ended 31 December 2017
	\$	\$
Revenue:		
Sale of goods	11,604,764	15,029,331
Commission received	1,753,370	2,505,715
	<u>13,358,134</u>	<u>17,535,046</u>

NOTE 3: TRADE AND OTHER RECEIVABLES

	31 December 2018	30 June 2018
	\$	\$
CURRENT		
Trade receivables	473,183	296,181
Other receivables:		
- GST receivable	1,022,721	859,286
- Deposits	61,496	61,496
- Related party receivables	505,348	73,366
- Other receivables	58,413	32,485
- IPO prepayment	170,815	-
	<u>1,818,793</u>	<u>1,026,633</u>
	<u>2,291,976</u>	<u>1,322,814</u>

IPO prepayment

During the period ended 31 December 2018, total transaction costs incurred in relation to IPO amounted to \$723,510. Of this amount, \$552,695 related to the listing process and has been expensed. The remaining balance of \$170,815 represents transaction costs that are directly attributable to issuing new shares and has been recorded in trade and other receivables as a prepayment. This will then be capitalised as share issuance costs in equity upon the successful listing on the ASX on 22 February 2019.

NOTE 4: 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). For the period ended 31 December 2018, the Group continues to operate only in one segment being retail in Australia.

NOTE 5: EVENTS AFTER THE REPORTING PERIOD

On the 22 February 2019, Mediland Pharm Limited was admitted to the Official List of the ASX, completing an initial Public Offering (IPO) of 64,763,610 new shares at an issue price of \$0.20, raising \$12,952,722 before transaction costs.

Other than the items mentioned above, no other matters or circumstances have arisen since the end of the reporting period which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in the future years.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standards AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

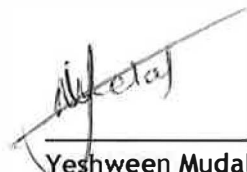
Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Peter French
Chairman

27 February 2019
Sydney



Yeshween Mudaliar
Managing Director

27 February 2019
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mediland Pharm Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mediland Pharm Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', is written over the printed name of Arthur Milner.

Arthur Milner
Partner

Sydney, 27 February 2019