

ASX Announcement

21 February 2020

Half-year results for the period ended 31 December 2019

The directors of **Mediland Pharm Limited** (“**Mediland**” or the “**Company**”) are pleased to announce half year results for the six months ended 31 December 2019.

The half-year closed on a positive note with the Company having completed all of its strategies that were outlined in its prospectus issued at the listing on ASX in February 2019. This was a transformational period for the Company as it launched its online operations of Ian’s Health Lounge and opened its flagship Sydney store in November 2019.

The overall Group total revenue of Mediland Pharm for this reporting period was A\$19.3m. This was a substantial increase on the previous half-year’s performance, which is an increase of 45% in revenue compared to the same period last year.

Total cash position for the Group as at 31 December 2019 was A\$7.96m compared to \$12.04m at 30 June 2019. This is attributable to several non-recurrent expenses, including the Ian’s Health Lounge acquisition with its online platform, leasehold improvements to our existing stores and the fit-out of the new Ian’s Health Lounge flagship store for the online retail business.

Total loss after income tax for the Group for the half-year was \$795k compared to a profit of \$378k in the previous corresponding period. However, 93% of the loss in current period is attributable to share-based payments expense which is a non-cash expense.

The Company recognises the challenges of maintaining its Australian and New Zealand retail sales in the next six months due to the recent and tragic bushfires in Australia and the novel coronavirus outbreak in China. These events will adversely impact the Company’s revenue until the situation stabilises, with substantially lower numbers of tour groups coming to Australia for the remainder of the financial year.

Management has implemented rigid cost control measures to ensure a stable cash forecast until the situation resolves. Mediland’s stores in Sydney, Melbourne, the Gold Coast and Auckland have been closed for the duration of the outbreak, with only minimal fixed operating costs being incurred.

Ian's Health Lounge flagship store in Sydney's CBD remains open for business as the company focuses on expanding the newly established online business to generate revenue. The online platform allows customers based in China, Australia and New Zealand to purchase over 100 products including Mediland's own branded products and infant formula.

ENDS

IR Enquiries

ir@medilandpharm.com.au

Company enquiries

yesh.mudaliar@medilandpharm.com.au

About Mediland Pharm

Mediland Pharm is a leading retailer of cosmetics, jewellery, health, well-being and wool products, serving the inbound Chinese tourism market in Australia and New Zealand. The Company operates three retail stores located in Australia (Sydney, Melbourne and the Gold Coast) and one in Auckland, New Zealand. Mediland partners with leading travel agents and wholesale tour operators to generate sales through exclusive customer shopping agreements.

Mediland Pharm Limited (ASX: MPH) (**Mediland** or the **Company**), a market leading retail company focused on servicing the Chinese inbound tourism sector in Australia, is pleased to report its financial results for the half year ended 31 December 2019 (the **Half-Year**) (the **Financial Report**) and its Appendix 4D.

1. Company details

Reporting period: For the half-year ended 31 December 2019
Previous period: For the half-year ended 31 December 2018

2. Results for announcement to the market

				Reporting period
Revenues from ordinary activities	up	45%	to	\$19,393,774
Profit /(loss) from ordinary activities after tax attributable to the owners of Mediland Pharm Limited	Down	310%	to	(\$795,249)
Net profit/(loss) for the period attributable to the owners of Mediland Pharm Limited	Down	310%	to	(\$795,249)

Comments

The loss for the Group after providing for income tax amounted to \$795,249 (31 December 2018: profit of \$378,411), the decrease are primarily due to the non cash share based payment expense of \$747,016 incurred in this period.

Further information on the results is detailed in the 'Review of operations' section of the Directors' report which is part of the Interim Report.

3. Net tangible assets

	Reporting period	Previous period
Net tangible assets per ordinary security (cents per share)	4.0	0.8

4. Control gained over entities

Name of entities (or group of entities) Enti Financial Pty Limited
Date control gained 22 July 2019

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Share We Do Platform Technology Services Co., Ltd has been established during the period as Wholly Owned Foreign Entity “WOFE” in China.

9. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. Attachments

The Interim Report of Mediland Pharm Limited for the half-year ended 31 December 2019 is attached.



Dr Peter French
Chairman



Yeshween Mudaliar
Managing Director
Sydney

21 February 2020

Mediland Pharm Limited

ABN 83 628 420 824

Interim Financial Report For the Half Year Ended – 31 December 2019

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

Corporate governance statement

Mediland Pharm Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Mediland Pharm Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. The 2019 corporate governance statement is dated 29 October 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The 2019 corporate governance statement was approved by the board on 29 October 2019. A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at <http://www.medilandpharm.com.au/investor-relations-corporate-governance/>.

The directors 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 for the half-year ended 31 December 2019 together with the independent review report thereon. The interim consolidated financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

Directors

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

Jhon Shen (Executive Director – Appointed 27 August 2018)
Yeshween Mudaliar (Managing Director – Appointed 27 August 2018)
Peter French (Non-executive Director and Chairman – Appointed 1 November 2018)
Tracey Cray (Non-executive Director – Appointed 27 August 2018)
Theo Renard (Non-executive Director – Appointed 24 January 2019)
Leo Cui (Non-executive Director – Appointed 28 November 2019)

Principal activities

The Group operates a retail business, with four retail outlets in Sydney, Melbourne, Gold Coast and Auckland focused on serving inbound Chinese tourists, who typically visit the outlets during an organized group tour.

Review of operations

The loss for the Group after providing for income tax amounted to \$795,249 (31 December 2018: profit of \$378,411). This has included a non-cash share based payment expense amount of \$747,016 as at 31 December 2019.

Loss before income tax expense	795,249
<i>Add back once off expenditures:</i>	
Share based payment expenses	747,016
Loss before income tax expense after add back	<u>48,233</u>

Significant changes in the state of affairs

During the half year ended 31 December 2019, 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 half-year

The Company recognises the challenges of maintaining its Australian and New Zealand retail sales in the next six months due to the recent and tragic bushfires in Australia and the novel coronavirus outbreak in China. These events will adversely impact the Company's revenue until the situation stabilises, with substantially lower numbers of tour groups coming to Australia for the remainder of the financial year.

Management has implemented rigid cost control measures to ensure a stable cash forecast until the situation resolves. Mediland's stores in Sydney, Melbourne, the Gold Coast and Auckland have been closed for the duration of the outbreak, with only minimal fixed operating costs being incurred. Ian's Health Lounge flagship store in Sydney's CBD remains open for business as the company focuses on expanding the newly established online business to generate revenue. Management has assessed that the company has no going concern issues at the reporting date.

Other than the above, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

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

On behalf of the directors



Dr Peter French
Chairman

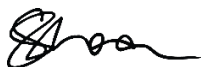
21 February 2020
Sydney

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

As lead auditor for the review of Mediland Pharm Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.



Gillian Shea
Partner

BDO East Coast Partnership

Sydney, 21 February 2020

Mediland Pharm Limited
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Mediland Pharm Limited
Statement of profit or loss and other comprehensive income
For the half year ended 31 December 2019

MEDILAND
Pharm Limited

		Consolidated	
		Half year ended	Half year ended 31
	Note	31 December 2019	December 2018
		\$	\$
Revenue	3	19,393,774	13,358,134
Cost of sales		<u>(3,233,337)</u>	<u>(1,399,723)</u>
Gross profit		<u>16,160,437</u>	<u>11,958,411</u>
Other income	3	69,146	9,917
Marketing expenses		(12,119,230)	(8,131,226)
Occupancy expenses		(271,898)	(269,937)
Administrative expenses		(2,149,688)	(1,667,875)
Employee benefit expenses		(1,505,654)	(799,097)
Share-based payment expenses		(747,016)	-
Listing expenses		-	(552,695)
Finance costs		<u>(76,241)</u>	<u>-</u>
Profit/(loss) before income tax expense		(640,144)	547,498
Income tax expense		<u>(155,105)</u>	<u>(169,087)</u>
Profit/(loss) after income tax expense for the half year attributable to members of Mediland Pharm Limited		(795,249)	378,411
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>20,560</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the half year attributable to members of Mediland Pharm Limited		<u><u>(774,689)</u></u>	<u><u>378,411</u></u>
		Cents	Cents
Earnings			
Basic earnings/(loss) per share	11	(0.25)	0.52
Diluted earnings/(loss) per share	11	(0.25)	0.52

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

Mediland Pharm Limited
Consolidated Statement of financial position
As at 31 December 2019

MEDILAND
Pharm Limited

		Consolidated	
	Note	31 December	30 June
		2019	2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	7,959,455	12,047,350
Trade and other receivables	5	2,432,277	1,853,696
Inventories	6	1,783,500	866,949
Income tax receivables		130,559	-
Total current assets		<u>12,305,791</u>	<u>14,767,995</u>
Non-current assets			
Property, plant and equipment	7	3,267,151	2,143,074
Right-of-use assets	14	2,941,322	-
Intangibles	8	15,419	5,395
Goodwill	8	402,547	-
Deferred tax assets		1,001,538	153,057
Total non-current assets		<u>7,627,977</u>	<u>2,301,526</u>
Total assets		<u>19,933,768</u>	<u>17,069,521</u>
Liabilities			
Current liabilities			
Trade and other payables	9	3,016,547	3,477,155
Income tax payable		-	198,087
Provisions		56,538	36,460
Lease liability – Short term	14	697,953	-
Total current liabilities		<u>3,771,038</u>	<u>3,711,702</u>
Non-current liabilities			
Deferred tax liabilities		890,622	317,228
Lease liability – Long term	14	2,327,287	-
Total non-current liabilities		<u>3,217,909</u>	<u>317,228</u>
Total liabilities		<u>6,988,947</u>	<u>4,028,930</u>
Net assets		<u>12,944,821</u>	<u>13,040,591</u>
Equity			
Issued capital		11,898,945	11,898,945
Reserves	10	1,567,794	800,219
Retained profits		(521,918)	341,427
Total equity		<u>12,944,821</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 half-year ended 31 December 2019

MEDILAND
Pharm Limited

Consolidated	Issued capital \$	Group restructure reserve \$	Foreign currency reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	1	-	-	5,654,904	5,654,905
Profit after income tax expense for the half year	-	-	-	378,411	378,411
Other comprehensive income for the half year, net of tax	-	-	-	-	-
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	-	-	-	(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

Consolidated	Issued capital \$	Group restructure reserve \$	Foreign currency reserve \$	Share-based payments reserve \$	Retained profits \$	Total equity \$
Balance at 1 July 2019	11,898,945	71,146	18,163	710,909	341,428	13,040,591
Impact of change in accounting policy (note 14)	-	-	-	-	(68,097)	(68,097)
Restated balance at 1 July 2019	11,898,945	71,146	18,163	710,909	273,331	12,972,494
Loss after income tax expense for the half year	-	-	-	-	(795,249)	(795,249)
Other comprehensive income for the half year, net of tax	-	-	20,560	-	-	20,560
Total comprehensive income for the half year	-	-	20,560	-	(795,249)	(774,689)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	-	747,016	-	747,016
Balance at 31 December 2019	11,898,945	71,146	38,723	1,457,925	(521,918)	12,944,821

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 half-year ended 31 December 2019

MEDILAND
Pharm Limited

	Consolidated	
	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$
Note		
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	19,236,585	13,515,085
Payments to suppliers and employees (inclusive of GST)	(20,215,858)	(15,698,047)
Interest received	69,146	7,105
Net income taxes paid	(757,231)	(731,109)
	<u>(1,667,358)</u>	<u>(2,906,966)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments to acquire plant and equipment	(1,308,086)	(148,146)
Payments to acquire business	(800,000)	-
	<u>(2,108,086)</u>	<u>(148,146)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Issues of shares	-	100
Dividends paid	-	(3,552,233)
Lease payment	(328,898)	-
	<u>(328,898)</u>	<u>(3,552,133)</u>
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(4,104,342)	(6,607,245)
Cash and cash equivalents at the beginning of the financial half-year	12,047,350	8,002,675
Effects of exchange rate changes on cash and cash equivalents	16,447	-
	<u>7,959,455</u>	<u>1,395,430</u>
Cash and cash equivalents at the end of the financial half-year	4	

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

Note 1. 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

These general purpose interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared in accordance with requirements of Corporation 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 Ltd 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 2019, 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 2019, except for the policies stated below.

(b) New accounting standards and interpretation

The Group has adopted AASB 16 Leases from 1 July 2019.

New standards and amendments to standards which are not yet effective have not been early adopted. A discussion of the requirements and their impact on the Group of the adoption of *AASB 16 Leases* is as follows:

AASB 16: Leases

Mandatory date of application: 1st July 2019

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

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a mode where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. Refer to Note 14 for details impact of adoption of AASB 16.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONUTINUED)
(b) New accounting standards and interpretation (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 5 to 9. For the half year ended 31 December 2019, the Group continues to operate only in one segment being a retailer servicing the Chinese inbound tourism sector in Australia and New Zealand.

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

Note 3. REVENUE

	Half-year ended 31 December 2019 \$	Half-year ended 31 December 2018 \$
Revenue		
Sale of goods	15,864,531	11,604,764
Commission received	3,529,243	1,753,370
Total revenue	19,393,774	13,358,134
Other income		
Interest income	69,146	9,917
Total other income	69,146	9,917

Note 3. REVENUE (COUNTINUED)

Disaggregation of revenue

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

Consolidated - Half-year ended 31 December 2019	Sales of goods \$	Commission received \$	Total \$
Geographical regions			
Australia	13,193,114	1,662,114	14,855,228
New Zealand	2,671,417	1,867,129	4,538,546
	<u>15,864,531</u>	<u>3,529,243</u>	<u>19,393,774</u>

Consolidated - Half-year ended 31 December 2018	Sales of goods \$	Commission received \$	Total \$
Geographical regions			
Australia	11,604,764	1,753,370	13,358,134
New Zealand	-	-	-
	<u>11,604,764</u>	<u>1,753,370</u>	<u>13,358,134</u>

Note 4. CASH AND CASH EQUIVALENTS

	31 December 2019 \$	30 June 2019 \$
Cash on hand	259,649	123,226
Cash at bank	7,699,806	11,924,124
	<u>7,959,455</u>	<u>12,047,350</u>

Note 5. TRADE AND OTHER RECEIVABLES

	31 December 2019 \$	30 June 2019 \$
Trade receivables	803,781	647,347
	<u>803,781</u>	<u>647,347</u>
Other receivables	900,342	495,787
Deposits	122,952	113,916
GST receivables	605,202	596,646
	<u>1,628,496</u>	<u>1,206,349</u>
	<u>2,432,277</u>	<u>1,853,696</u>

Note 6. INVENTORIES

	31 December 2019 \$	30 June 2019 \$
Finished goods – at cost	1,783,500	866,949
	<u>1,783,500</u>	<u>866,949</u>

Note 7. PROPERTY, PLANT AND EQUIPMENT

	31 December 2019	30 June 2019
	\$	\$
Fixtures and fittings - at cost	1,503,886	1,471,470
Less: Accumulated depreciation	(147,966)	(118,842)
	<u>1,355,920</u>	<u>1,352,628</u>
Motor vehicles - at cost	340,628	295,597
Less: Accumulated depreciation	(121,573)	(89,791)
	<u>219,055</u>	<u>205,806</u>
Office equipment - at cost	206,299	112,443
Less: Accumulated depreciation	(46,883)	(36,061)
	<u>159,416</u>	<u>76,382</u>
Lease improvement – at cost	1,710,757	570,024
Less: Accumulated depreciation	(177,997)	(61,766)
	<u>1,532,760</u>	<u>508,258</u>
Total property, plant and equipment	<u>3,267,151</u>	<u>2,143,074</u>

Note 8. INTANGIBLES

	31 December 2019	30 June 2019
	\$	\$
Trademark - at cost	16,239	5,917
Less: Accumulated amortisation	(820)	(522)
	<u>15,419</u>	<u>5,395</u>
Intangibles acquired as part of a business combination (refer to Note 13)	402,547	-
	<u>417,966</u>	<u>5,395</u>

Note 9. TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
	\$	\$
Trade payables	2,534,941	2,972,504
Other payables – related parties	197,961	197,961
Other payables	283,645	306,690
	<u>3,016,547</u>	<u>3,477,155</u>

Note 10. RESERVE

	31 December 2019	30 June 2019
	\$	\$
Foreign currency reserve	38,723	18,164
Share-based payments reserve	1,457,925	710,909
Group restructure reserve	71,146	71,146
	<u>1,567,794</u>	<u>800,219</u>

Note 11. LOSS/EARNINGS PER SHARE

	Half-year ended 31 December 2019	Half-year ended 31 December 2018
	\$	\$
a. Earnings used to calculate basic EPS from continuing operations	(795,249)	378,411
	Number	Number
b. Weighted average number of ordinary shares during the year used in calculating basic EPS*	312,763,610	73,369,566
c. Basic and Diluted earnings per share (cents per share)	(0.25)	0.52

*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 12. 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	
		31 December 2019	30 June 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.

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 13. 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 31 December 2019, Enti Financial Pty Ltd's revenue amount of \$1.72 million and profit before tax amount of \$166,369 has been consolidated into Group result. Together with this acquisition, it also includes a batch of intangible assets registered in China. As at 31 December 2019, the valuation of those intangible assets was incomplete due to the current corona virus status in China. Details of the business combination are as follows:

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	853,098
Lease liabilities	(779,872)
Net identifiable net assets at fair value	397,453

Intangible assets acquired at 31 December 2019 #	402,547
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Acquisition date fair value of the total consideration transferred	800,000
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Representing:

Cash paid to vendor	800,000
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Acquisition costs expensed to profit or loss	21,000
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#Provisional amounts of Intangible assets acquired at 31 December 2019

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

The fair value of the following intangible assets was incomplete at the date of issuance of this report:

The Marketing related intangible assets includes trademarks, internet domain names in China;

Customer related intangible assets includes customer lists, followers in the Wechat social medial account in China.

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.

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.

Note 14. 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	-	1,504,938	1,504,938
Lease liabilities	-	1,573,034	1,573,034
Retained earnings adjustment	341,428	(68,097)	273,331

Consolidated 31 December 2019 \$

Assets

Right of use assets (AASB 16)	2,941,322
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Liabilities

Lease Liabilities – current (AASB 16)	697,953
Lease Liabilities – non-current (AASB 16)	2,327,287
	3,025,240

Interest expense charged for the period	76,242
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Reconciliation of right-of-use-assets

Right-of-use-assets recognised upon transition

Balance at 1 July 2019	1,504,938
Right-of-use-assets through business combination	853,098
Lease arrangements entered into during the period	924,990
Amortisation expense	(341,704)
Balance at 31 December 2019	2,941,322

Reconciliation of Lease Liability

Lease liability recognised upon transition

Balance at 1 July 2019	1,573,034
Lease liability recognised through business combination	779,872
Lease arrangements entered into during the period	924,990
Interest expense and cash payments	(252,656)
Balance at 31 December 2019	3,025,240

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, 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 14. 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 \$2,941,322 and a lease liability amount of \$3,025,240 had been recognised on the Balance Sheet.
- Finance costs increased by \$76,241 due to the impact of the interest component of the lease liability.
- Depreciation expense increased by \$341,704 due to depreciation of the right-of-use asset over the lease term.
- Lease rental operating expenses reduced by \$328,898 to nil.
- The current profit before income tax expense was reduced by \$89,047.

In the Cash Flow Statement, operating cash outflows decreased by \$328,898 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.

Note 15. CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2019 and 30 June 2019.

Note 16. AFTER BALANCE DATE EVENTS

The Company recognises the challenges of maintaining its Australian and New Zealand retail sales in the next six months due to the recent and tragic bushfires in Australia and the novel coronavirus outbreak in China. These events will adversely impact the Company's revenue until the situation stabilises, with substantially lower numbers of tour groups coming to Australia for the remainder of the financial year.

Management has implemented rigid cost control measures to ensure a stable cash forecast until the situation resolves. Mediland's stores in Sydney, Melbourne, the Gold Coast and Auckland have been closed for the duration of the outbreak, with only minimal fixed operating costs being incurred. Ian's Health Lounge flagship store in Sydney's CBD remains open for business as the company focuses on expanding the newly established online business to generate revenue. Management has assessed that the company has no going concern issues at the reporting date.

Other than the above, no matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Mediland Pharm Limited
Directors' declaration
For the half year ended 31 December 2019

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 2019 and of its performance for the financial half-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.

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



Dr Peter French
Chairman

21 February 2020
Sydney



Yeshween Mudaliar
Managing Director

21 February 2020
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 controlled entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2019 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 2019 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*.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Gillian Shea', written over the printed name.

Gillian Shea
Partner

Sydney, 21 February 2020