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CELLMID 



2020
ANNUAL REPORT



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Annual Report
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CHAIRMAN'S LETTER



Dear Shareholder,

It is my pleasure to present to you the 2020 Annual Report. It is pleasing that our pre-pandemic growth strategy for the consumer health business, which was founded on diversifying revenue sources, expanding our e-commerce capabilities, building a global leadership team, and technical innovation, was sufficiently advanced in execution to enable us to stabilise revenues in the latter part of the financial year and provide a robust platform for future growth. From our perspective, the principal negative effects of the pandemic have been to delay, rather than defeat, our business initiatives, not only in the consumer health business but also in our efforts to separate that business from our biotech assets.

Although in last year's report I foreshadowed that the Company anticipated that its consumer health division would achieve profitability in FY2020, that this has not eventuated in the immensely challenging COVID-19 business environment will come as no great surprise. The ramifications of the COVID-19 pandemic have been many and varied, and mostly (but not exclusively) negative in their impacts on the conduct of business.

On the positive side, the pandemic has undoubtedly provided further impetus to the already burgeoning e-commerce sector in consumer health, and particularly for the prestige hair-care sector which Cellmid occupies with its evolvis® range of products.

The expansion of our consumer health products distribution network has continued at a pace throughout the year, and has included new TV shopping opportunities, a range of international distribution agreements, and locally an important trading agreement with the Australia-wide API/ Priceline group. Although the planned in-store rollout with Priceline was postponed on account of the COVID-19 disruption, this sales channel is expected to be an important component of future sales growth in Australia. Internationally, the all-important import permits in the most significant markets, other than China, are already in place; and there are good reasons to be optimistic that a Chinese import permit for evolvis® will be forthcoming in the not too distant future now that the requisite regulatory framework has been implemented.

It is pleasing that notwithstanding the COVID-19 disruptions, our total revenue for the year in review increased, albeit marginally, over the FY2019 year. The consumer health revenue, by far the largest contributor to total revenue, contributed to this increase despite a drop in the important Japanese component of revenue arising from interruptions to trading with China as well as reduced salon sales. We

remain confident that sales in and through Japan, including exciting new markets in Korea and Singapore, will return significant revenue growth in the year ahead. Together with the strong growth in the Australian and USA markets during FY20, there is good cause for optimism that overall revenue will continue to grow in the months ahead.

With regard to the Company's midkine assets (Lynamid subsidiary), we have previously reported our intention to unlock shareholder value by separating this biotech business from the consumer health business. To this end we have appointed Bart Wuurman, a highly accomplished and experienced biotech CEO, to lead the partnering/ investment initiatives while at the same time continuing to grow our intellectual property portfolio; and continuing our advanced research programmes through collaboration with our extensive network of international partners. Negotiations with potential funding and research partners were inhibited by the widespread business interruptions during the early months of COVID-19 but are now regaining traction as the target capital and investment markets re-gather momentum.

The diagnostics business, which has operated and will continue to operate quite separately from Lynamid, will remain a core asset for the Company. To further expand this business, during the year the Company signed a series of supply, introducer and distribution agreements for a range of SARS-CoV-2 antibody and PCR diagnostic tests. In the relatively short time that the COVID-19 pandemic has been amongst us the landscape for COVID-related testing regimes has changed rapidly and repeatedly, presenting challenges in penetrating this market. It is our view that as the incidence and spread of the disease become better understood, the testing portfolio available to the Company will find significant application in both diagnostic and, importantly, pandemic management roles.

I mentioned earlier in this letter that an important element of our growth strategy has been to progressively build a global leadership team. To this end, during the year we

were pleased to appoint Brian McGee as CEO of the USA subsidiary of our consumer health business, Advangen LLC. Brian brings 30 years' experience in sales, marketing and operations in the beauty and hair care industry, and his important contribution is already evidenced in the year's strong sales growth in difficult trading conditions in the USA. Closer to home, late in the year we appointed the Company's VP/Director of Operations Dr Dominic Burg to the important new role of COO. Dominic's well-deserved promotion goes some way to ensuring that we have the management depth and experience to deliver on our ambitious growth plans.

In closing, I want to congratulate our entire team, ably led by our CEO Maria Halasz, for their outstanding efforts and professionalism throughout the year, and of course especially through the challenging COVID-impacted recent months. It remains a matter of great disappointment that their collective efforts are not better reflected in the Company's share price performance, and measures to improve this performance going forward will remain at the forefront of the Board's considerations.

I extend my sincere thanks to my fellow board members for their wise counsel and guidance throughout the year; and on behalf of the Board extend our thanks to all shareholders for their support.

A handwritten signature in black ink, reading "D King".

David King
Chairman

CEO REPORT



Dear Shareholder,

It is my pleasure to report on the results of the 2020 financial year. Strong sales momentum in early FY2020 and new distribution channels in Australia, USA, Japan, Europe and Asia ensured that we have been able to navigate the difficult pandemic conditions in the second half of FY2020.

Our broad distribution network, together with our ongoing investment in digital infrastructure and e-commerce capabilities, allowed us to stabilise revenue throughout the second half, while setting the business on the path of future growth as we learn to live with the COVID-19 pandemic.

The financial year has shown that we are well advanced in the effective execution of our growth strategy announced in February 2019. At that time, we set out some key objectives for growth; in our consumer business it was to diversify our revenue, to expand our e-commerce capabilities, to build a global leadership team and to continue on product innovation. That these milestones did not result in profitability can be largely attributed to the disruptions to trade during the pandemic. We have also remained committed to the separation of our consumer health and biotech businesses (Lyramid) to unlock shareholder value in each of these assets.

We have made significant progress on all these objectives since early 2019 which lessened the impact of the pandemic disruption during the second half of FY2020. I am very pleased to report on a resilient business, which has reliable and diverse sales channels, brands that are increasingly recognisable, products that perform and an outstanding global team. As we enter FY2021 these important pillars will continue to support us to reach our growth objectives for the financial year and power on towards increased sales and profitability.

Favourable global trends in the consumer sector are expected to provide strong tailwind to reach our sales objectives in the next 12-24 months. Online sales of prestige hair care products rose 31% in 2019 in the US even before the pandemic. COVID-19 forced a much more rapid shift to e-commerce adding to an already online heavy trading

environment. While sales of skincare and make-up brands have been stagnant overall, functional haircare remains one of the strongest performers amongst premium cosmetics according to *The Beauty 2020-2030 Forecast*.

Other winners of the shift in consumer behaviour in hair care are dry shampoos, hair masks and treatments; categories in which Cellmid has recently launched first in class or best in class products. Hair related google searches surged by 13% globally driven by functional hair care, and the rise of Customer S (Silver, indicating Gen X and older) online is particularly important as they represent more than 50% of Cellmid's customers by age.

Cellmid has been actively engaging with current and potential partners in China to achieve optimum market penetration for our Jo-Ju®, Lexilis® and evolis® brands. Whilst cross border e-commerce (CBEC) presents the most immediate opportunity, this is only a small portion of the addressable market for the Company's hair loss and anti-aging hair care products. Online survey of 20-50-year-old Chinese customers indicated that hair loss is one of the top five health concerns for this age group. This is an enormous opportunity for our brands that have been developed to speak to these needs.

With import permits to the US, Europe, UK and Japan our successful regulatory strategy has been the foundation of our global brand expansion for evolis®. We intend to continue our efforts in that regard in China, where with the new Chinese cosmetics regulations (Cosmetic Supervision and Administration Regulation or CSAR), the path has become clearer for obtaining import permits for evolis®. Our Jo-Ju® and Lexilis® brands have import permits in China already with strong therapeutic hair loss claims.

RESULTS OVERVIEW

Our total revenue and other income increased by 2% to \$8.55 million (FY2019: \$8.35 million). Our consumer health brands, Jo-Ju®, Lexilis® and evolis®, have generated 87% of this revenue with sales primarily in Japan, Australia and the USA. The other 13% of revenue and other income was generated through the Lyramid and Diagnostics businesses.

The total loss after tax was down by 17% to \$4.91 million (FY2019: \$5.91 million). It is important to note that this includes several non-cash items expensed such as performance options awarded to staff members that are largely yet to vest. Cellmid received \$840,288 in R&D tax credit and generated another \$205,363 in diagnostics income during the FY2020 financial year.

In the past year, Cellmid has raised a total of \$8.8 million before costs, including \$6.3 million in April 2020 and \$2.5 million in October 2019.

Cellmid ended the financial year with a cash balance of \$6.97 million, which will ensure that the company can continue to invest in inventory and has sufficient working capital for new distribution channels and online capabilities in FY2021.

In March and April 2020, Cellmid signed supply, introducer, and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests, including the Wondfo SARS-CoV-2 antibody test (Wondfo Test). The first commercial shipment of the Wondfo Test was received in April 2020 and we have sold some of the tests already.

ADVANGEN

Cellmid is leading innovation in anti-aging haircare globally with deep expertise in hair biology. Cellmid owns and distributes first in class anti-aging haircare brands that are based on natural ingredients, clinically and scientifically validated, and effective in reducing hair loss and increasing hair growth. In FY2020, Cellmid secured three new hair loss patents for the formulation of evolis® in Australia, Japan and China.

Consumer health revenue increased by 1% in FY2020 to \$7.44 million (FY2019: \$7.34 million). Sales momentum was very strong in the first half of the financial year with 18 new distribution channels established across premium beauty retailers, pharmacies and television shopping channels in Australia, USA, Japan, Europe and Asia. However, the retail environment was adversely impacted by the COVID-19 pandemic in the second half of the year with the closure of bricks and mortar retail outlets. Although our revenue growth was lower than expected, we were able to effectively switch to online sales through our own websites, our retail partner websites and social commerce.

CEO REPORT CONTINUED



The retail disruption resulted in higher inventory holdings, however with that we have avoided supply chain interruptions through the critical periods of January to June. We are ready to ramp up sales as we continue to reactivate distribution channels in FY2021. Our record Q4 sales of \$3.06 million, the highest revenue to date in any one quarter, was driven by television shopping channel QVC Japan and by the resumption of export to China in June.

In 2021 we remain committed to our core brands, evolis®, Jo-Ju® and Lexilis®, as they address very specific markets in hair loss and antiaging hair care. A brand strategy matrix as it applies for FY2021 is provided in Table 1 below. An active new product development program, and a bank of novel technologies Cellmid has already developed, means that we will be able to rapidly address market demand for first in class and best in class anti-aging products in the future, whilst riding the current trend of functional hair care.



Table 1. Brand strategy matrix - 2021

	Japan	Australia	China Cross-border	China Mainland	Rest of Asia	USA	Europe
Male Hair loss	Lexilis®	evolis®	Lexilis® evolis®	Lexilis®	evolis® Lexilis®	evolis®	evolis®
Female Hair loss	Jo-Ju®	evolis®	Jo-Ju® evolis®	Jo-Ju®	evolis® Jo-Ju®	evolis®	evolis®
Antiaging hair care		evolis®				evolis®	evolis®
Antiaging skincare	Jo-Ju®		Jo-Ju®				

ADVANGEN INC. (JAPAN)

Sales in Japan were down by 5% to \$5.61 million during the 2020 financial year (FY2019: \$5.93 million), largely due to interruptions to trading with China and reduced salon sales in Japan. The single largest source of product revenue remained QVC Japan, including just over \$2 million from two strong Today's Special Value (TSV) sales days on 25 November 2019 and 12 June 2020.

Segment operational profits were down by 71% to \$0.51 million (FY2019: \$1.66 million), due to the increased investment in advertising and marketing in preparation for the launch of the evolis® Professional branded product range in Japan. Unfortunately, this product launch was deferred following store and salon closures throughout Japan in the second half of the financial year. In addition, economic disruptions prevented the fulfillment of export orders to China from early in 2020 and shipping of export products only resumed in June 2020.

Over the next year, we are expecting to see sales traction in new Asian markets including Korea and Singapore, as well as increasing sales of the Jo-Ju® and Lexilis® brands into China, subject to new partnerships with appropriately credentialed Chinese distributors.

ADVANGEN INTERNATIONAL PTY LTD (AUSTRALIA)

Sales in Australia were up by 21% to \$1.19 million during the financial year (FY2019: \$0.99 million), driven by new distribution channels, a new national distribution partner in API/Priceline, and ongoing investment in our e-commerce infrastructure.

Cellmid signed an agreement with TV shopping channel, openshop, in October 2019 for the sale of the evolis® Professional range and in November 2019 a trading agreement with API/Priceline for the evolis® Professional brand to be stocked in 400 stores nationally. An in-store Priceline launch was planned for March 2020, with experiential marketing events in all states. Although these events were postponed due to the COVID-19 business disruption, we have started an online education campaign for pharmacy staff nationally.

The segment loss improved by 21% to \$1.18 million in the financial year (FY2019: \$1.5 million), primarily due to improved sales growth and the switch to online sales, which now accounts for around 40% of total sales in Australia. The Australian operations also carry the responsibility for the international business development, which was higher than in FY2019 due to the entry into the European market and the additional investment in international social and digital marketing.

ADVANGEN LLC., (USA)

Sales in the USA increased by 51% to \$0.63 million in the financial year (FY2019: \$0.42 million) and our segment loss improved by 21% to \$0.67 million (FY2019: \$0.85 million). This positive result was achieved in difficult trading conditions with the closing of the stores of our largest partners in the USA, including premium retailers Neiman Marcus, Bloomingdales, and Saks. Although bricks and mortar retail stalled, these department stores re-focused on their e-commerce platforms and started to place orders again after a short break.

CEO REPORT CONTINUED

The growth in revenue was driven by the significant expansion of new online partnerships in the financial year including Dermstore, Beauty Collections, Macys.com and most recently Amazon. Our e-commerce revenue increased to around 60% of total revenue and we expect this to remain around this level as new online channels are initiated in FY2021, including online professional hair care portal, Salon Interactive. We signed an agreement with Tru Beauty, a premium salon distributor, in late July 2020, which is expected to deliver material sales during the second half of FY2021.

We expect to continue to invest in our e-commerce, digital and social marketing infrastructure in 2021 to increase brand awareness and grow our sales from our direct customer base by increasing subscriptions.

LYRAMID LIMITED

Over the past year, we have continued to improve our midkine intellectual property portfolio with additional coverage for the "Improved Midkine Antibody" patent in Europe, which will provide further protection for the humanised antibody candidates targeting the C domain of midkine. Cellmid currently has 54 granted midkine patents, four patent applications under examination and one in Patent Cooperation Treaty filing state.

The considerable research we have undertaken during FY2020 was mostly carried out by external partners with minimal spending from Cellmid. Our strategy has remained the unlocking of shareholder value by separating the consumer health and biotech businesses. We are well on the path to achieve this with the appointment of Bart Wuurman as CEO of Lyramid, who has commenced the preparation for partnering or divestment.

The negotiations with potential partners for the midkine assets slowed down between March and July 2020, however these discussions have recommenced since. As we intensify our search for partnerships Lyramid is well prepared for the separation having a small, but capable senior team, broad intellectual property portfolio, experimental tools to deliver the technology and excellent scientific advisors.

DIAGNOSTICS

In addition to its midkine diagnostic business Cellmid signed a series of supply, introducer, and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests, including the Wondfo SARS-CoV-2 antibody test (Wondfo Test) in early 2020.

The market for COVID-19 testing has changed dramatically since the end of April and it continues to evolve. After a flood of enquiries in March and April 2020, which triggered our move to broaden our diagnostics business with the COVID-19 antibody tests, by late April the demand for serological testing subsided in Australia and remains relatively modest internationally. The key testing methods are still nucleotide based rapid or laboratory PCR's, with antigen testing at point of care (POC) now emerging as an option.

There is consensus on the market that each testing modality has its role in the diagnostic and disease management universe of COVID-19 and we are ready to fulfil demand as it arises with capabilities in all modalities; serological and nucleotide testing, POC and laboratory based.

The diagnostics license with Pacific Edge continued to deliver sub-material royalty revenue in FY2020.



CLOSING REMARKS

Having built a resilient consumer business, we plan to fully capitalise on our existing distribution networks internationally, grow our direct online presence and tap into the strong consumer demand for premium functional hair care globally. We are at the beginning of an exciting shift in consumer behaviour towards predominantly online purchases, and this includes the older, Customer S generation.

That we are so well positioned for the future is due to the outstanding efforts of the Cellmid team, especially during the particularly difficult period of the COVID-19 pandemic. It is our directors, employees, consultants, and advisers who came up to the mark and made it all possible. We are pleased that we have been able to deliver to our shareholders a resilient business under difficult operating conditions and we look forward to serving in the future.

A handwritten signature in black ink, reading "Maria Halasz".

Maria Halasz
CEO and Managing Director

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the Group, being Cellmid Limited ("the Company") and the entities it controlled, for the financial year ended 30 June 2020.

1. GENERAL INFORMATION

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a Director during the year and to the date of this report are:

Dr David King	Chairman (Non-executive)
Qualifications	PhD in Seismology, Australian National University, Fellow of The Australian Institute of Company Directors, Fellow of the Australian Institute of Geoscientists
Experience	Experience as chairman, executive and non-executive director in high growth companies, across a variety of sectors, with focus on governance in publicly listed companies.
Interest in shares and options	Shares: 300,000 directly held 1,400,000 indirectly held
Special responsibilities	Member of the Audit Committee and chairman of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	Current directorships - Litigation Capital Management Limited, Galilee Energy Limited and African Petroleum Corporation, Tap Oil Limited and Renergen Limited.

Ms Maria Halasz	Managing Director (Chief Executive Officer)
Qualifications	MBA, BSc in Microbiology, University of Western Australia, Graduate of the Australian Institute of Company Directors
Experience	28 years' experience in life sciences working in executive positions in private and public companies, managing investment funds and holding senior positions in corporate finance specialising in life sciences. Maria has been CEO and Managing Director of Cellmid since April 2007.
Interest in shares and options	Shares: 420,000 directly held Shares: 2,580,000 indirectly held Options: 3,000,000 unvested, indirectly held
Special responsibilities	Managing Director and Chief Executive Officer
Other directorships in listed entities held in the previous three years	None

Mr Bruce Gordon	Director (Non-executive)
Qualifications	BA, Macquarie University, Fellow of The Institute of Chartered Accountants Australia and New Zealand, Fellow of The Australian Institute of Company Directors
Experience	An audit and corporate finance specialist, and an experienced finance professional with a career spanning more than 35 years advising and providing financial services to private and publicly listed companies as well as subsidiaries of large multinationals.
Interest in shares and options	Shares: 160,000 indirectly held
Special responsibilities	Chairman of the Audit Committee and member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

Dr Fintan Walton	Director (Non-executive)
Qualifications	PhD, Genetics, Trinity College Dublin
Experience	Founder and CEO of PharmaVentures Ltd, a UK based corporate advisory firm that provides advice on all aspects of corporate transactions, business brokering, mergers and acquisitions and licensing deals to a diversified global network.
Interest in shares and options	Shares: 12,500 directly held Shares: 52,500 indirectly held
Special responsibilities	Member of the Nomination and Remuneration Committee
Other directorships in listed entities held in the previous three years	None

Dr Martin Cross	Director (Non-executive)
Qualifications	PhD, Microbiology, Aberdeen University Scotland. Fellow of the Australia Institute of Company Directors.
Experience	Over 35 years' experience working in the pharmaceutical and biotech industries primarily in all aspects of marketing, selling and business management. This included global roles at international headquarters of AstraZeneca and Novartis. Former Country President for Novartis Australia/NZ, Managing Director for Alphapharm (Mylan) Australia/NZ with extensive retail experience in pharmacies and Chairman of the Generics Industry Association and Medicines Australia.
Interest in shares and options	Shares: 325,000 indirectly held
Special responsibilities	Member of the Audit and Risk Committee
Other directorships in listed entities held in the previous three years	Non-Executive Director Oncosil Ltd

DIRECTORS' REPORT

CONTINUED



Mr Dennis Eck	Director (Non-executive)
Qualifications	BSc, The University of Montana
Experience	40 years senior management experience in the retail sector, providing significant strategic and operational expertise. Mr Eck, a professional investor, has extensive retail experience in fashion, groceries, cosmetics, and hair salons. As a senior strategist, Mr Eck has helped reshape the operations of several retail businesses delivering outstanding shareholder returns.
Interest in shares and options	Shares: 12,497,152 directly held
Special responsibilities	N/A
Other directorships in listed entities held in the previous three years	N/A

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Mr Lee Tamplin	Company Secretary
Qualifications	BA (Hons) Financial Services, Bournemouth University United Kingdom, Diploma of Financial Planning, Graduate of the Australian Institute of Company Directors and Member of the Governance Institute of Australia.
Experience	20 years' experience in financial services in both Australia and UK. Company Secretary for several ASX listed, NSX listed and proprietary companies.

Principal activities of the Group

The Group has operated primarily through its holding entity, Cellmid (diagnostics) and two subsidiary companies, Advangen Limited (consumer health product development and sales) and Lyramid Limited (midkine and midkine antibody research and development). The Group continued to work towards its Growth Strategy released in February 2019. Guidance applicable for FY2020 has been removed in March 2020 due to the uncertainty of the impact of the COVID-19 pandemic. Since March 2020 the Group expanded its diagnostic activities with laboratory and point of care diagnostic testing products for SARS-CoV-2.

There was no substantial change in the activities of the Group during the reporting period. The principal activities of the Group during the financial year were:

Advangen Limited (Advangen):

During FY2020 Advangen continued with the development and sale of over the counter (OTC) and cosmetic products for hair loss and anti-aging hair care. Products sold continued to feature the Group's proprietary FGF5 inhibitor technology. Since the acquisition of the FGF5 technology in 2013 the Group has developed a range of new products under the evolis®, evolis® Professional, Lexilis® Hybrid, Jo-Ju® RED and Lexilis® BLACK brands. Distribution channels of the Group's consumer brands have expanded substantially during the reporting period in Australia, USA and in Japan. The Group continued product

innovation during the reporting period, researched new hair loss targets and developed new formulations containing additional ingredients for improved efficacy. These new products will form an important part of product launches in FY2021 and beyond. The Group has implemented operational and administrative efficiencies in its consumer business during the reporting period.

Lyramid Limited (Lyramid)

The Group holds the largest intellectual property portfolio globally around midkine, a native protein associated with various disease states, including chronic inflammatory diseases and cancer. During FY2020 Lyramid continued with the research and development of diagnostic and therapeutic products for the management of diseases such as cancer and various chronic inflammatory conditions by targeting midkine. During FY2020, the Group investigated the most efficient method for targeting midkine in collaboration with industry partners and engaged a number of key opinion leaders.

Cellmid Limited (Diagnosis)

The Group expanded its diagnostic activities and secured access to SARS-CoV-2 testing kits from manufacturers and their agents by signing supply, introducer and distribution agreements during the reporting period. It has received its first supply of the Wondfo SARS-CoV-2 antibody tests (Wondfo Test) in April 2020 and was successful in listing it on the Australian Register of Therapeutic Goods (ARTG) by the Therapeutic Goods Administration (TGA).

2. OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

Operating results

Revenue and other income of the Group was up 2% for FY2020 to \$8,547,715 (FY2019: \$8,347,184), demonstrating resilience during a difficult trading period due to the COVID-19 pandemic. Consumer health sales of the Group's FGF5 inhibitor hair growth products remained stable at \$7,437,200 (FY2019: \$7,338,967) despite the adverse impact of the COVID-19 pandemic during most of the second half of the financial year. Total loss was also down 17% to \$4,907,296 (FY2019: \$5,909,557) for the Group.

Review of operations

The Group withdrew its Growth Strategy related guidance in March 2020 due to the uncertainty around the impact of the COVID-19 pandemic. Operational expenditure was contained and effect on revenue was minimised by actively pursuing online sales channels. Although operational profitability could not be achieved the Group has reached the following significant milestones during the reporting period:

- Achieved the highest quarterly consumer health revenue of \$3.06 million in Q4 FY2020, demonstrating the resilience of the business under difficult conditions. The record revenue was the result of solid QVC Japan performance in addition to resuming Chinese exports of the Group's Lexilis® branded products in June 2020.
- Opened new distribution channels and scaled into existing ones in the US resulting in a revenue growth of 51% during the reporting period. Online sales channels secured during 1H FY2020 compensated for the store closures of premium retail partners such as Neiman Marcus, Bloomingdales and Saks.
- Signed agreement with TV shopping channel openshop for the sale of the evolis® Professional branded anti-aging hair care products in Australia and signed a trading agreement with API/Priceline, both of which contributed to the 21% increase in Australian revenue during the reporting period.
- Reported strong QVC sales on two Today's Special Value (TSV) sales days in December 2019 and June 2020. These two events contributed \$2 million to the Group's consumer health revenue with the sale of the Jo-Ju® branded hair growth lotion and shampoo. With several other sales events QVC Japan remained the Group's most significant sales channel in FY2020.
- Adding to its intellectual property, the Group has secured three hair loss patents pertaining to its consumer business: one each in its key markets of Australia, Japan and China. Importantly, the formulation for evolis®, the Group's fastest growing brand, is now protected in China, Australia and Japan.
- Added a new product line to the Group's diagnostic business, and signed supply, introducer and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests, including the Wondfo Test.
- Received the first commercial shipment of Wondfo Tests in April 2020 and commenced sales of the SARS-CoV-2 antibody kits. Although the sales have slowed down since May, the Group retained sufficient inventory to service the market as opportunities are expected to arise with the developing pandemic.

DIRECTORS' REPORT

CONTINUED

- Successfully filed for the ARTG listing of the Wondfo SARS-CoV-2 antibody test. As part of the TGA's post-market surveillance the Wondfo test was submitted to the Doherty Institute for evaluation and results confirmed the manufacturer's stated performance in the most relevant period of 14+ days from symptoms (sensitivity of 93.8%, specificity of 95%).
- The Group was successful in its application and has been granted its patent "Improved Midkine Antibodies" in Europe adding to its substantial intellectual property holding around midkine

i. Advangen Limited

Revenue in the Group's consumer health business grew 1% to \$7,437,200 (FY2019: \$7,338,967), with loss before tax down 43% to \$1,859,759 (FY2019: \$3,405,482). The Australian and US businesses delivered strong revenue growth, 21% and 51% respectively, despite difficult trading conditions due to the COVID-19 pandemic. For the same reason, and whilst orders have been received, Japan has not been able to export to China for five months during 2H FY2020, which resulted in a 5% drop in revenue for that region.

In Japan QVC remained the most significant sales channel for the Group

Sales on television shopping channel, QVC, continued to perform well during FY2020 with two Today's Special Value (TSV) days delivering over \$2 million revenue for the Group (25 November 2019 and 12 June 2020). Together with other sales events, and as in previous years, the Jo-Ju® branded FGF5 inhibitor for women was the best performing product for the Group. The Japanese revenue was down 5% to \$5,612,837 (FY2019: \$5,929,848) and profit before tax was down 71% to \$447,748 (FY2019: \$1,550,844) as a direct result of the pandemic; the Group was unable to fulfil export orders during most of 2H FY2020 due to economic disruptions and shipping only resumed to China in June 2020. In addition, the Advangen concept store in Ginza was closed down temporarily during the reporting period, and the launch of the evoliss® Professional branded products was also halted as a result of the closure of salons due to the pandemic.

Australian sales grew 21% largely driven by new channels openshop and the API/Priceline agreement

The Group's Australian consumer business grew 21% during FY2020 to \$1,198,490 with loss down 60% to \$1,633,985 (FY2019: \$4,103,371). The Group signed an agreement with television shopping channel, openshop, in October 2019 for the sale of its evoliss® Professional product range. Sales events started during October 2019 with several live and recorded shows since. The Group has also signed a trading agreement with API/Priceline in November 2019 for the evoliss® Professional brand to be core ranged in 400 stores nationally. Initial orders were delivered in November 2019 and an in-store launch was planned for March 2020 with experiential marketing events in all states. Due to the pandemic the Priceline in-store events have been postponed, however online education of pharmacy staff commenced as planned. The Group has initiated an online retail partnership with Adore Beauty and executed several marketing campaigns during the second half of FY2020.

USA sales were up 51% largely due to growth in online retail partnerships

The Group's US business grew 51% to \$625,873 (FY2019: \$415,371) with loss before tax down 21% to \$673,522 (FY2019: \$852,955) under significant headwind on sales due to the pandemic. Premium department stores Neiman Marcus, Bloomingdales and Saks were closed for the most part of the second half of FY2020. While brick-and-mortar retail stalled, department stores re-focused on their e-commerce platforms and continued to order. New online partnerships secured during FY2020, Dermstore, Beauty Collections, Macys.com and most recently Amazon.com, largely accounted for the revenue growth in FY2020. The agreement with salon distributor, Tru Beauty, was signed after the closing of the reporting period, effective 1 August 2020.

ii. Lynamid Limited

Under the leadership of CEO Bart Wuurman research activities continued by the Group's European industry and institutional partners during the first half of FY2020, however these programs have slowed down or were closed entirely due to the pandemic. Likewise, negotiations with potential funding partners have also been halted since March 2020. Laboratories in some European countries started to open again in July 2020 and these partnerships are expected to be revisited in the coming months. The Midkine Symposium, which was originally planned for May 2020, was postponed for the same reason. The Group received additional patent coverage for its "Improved Midkine Antibody" patent in Europe, providing further protection for its humanised antibody candidates targeting the C domain of midkine.

iii. Cellmid Limited

The Group added a new product line to its diagnostic business, and signed supply, introducer and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests, including the Wondfo SARS-CoV-2 antibody test (Wondfo Test). The Group successfully filed an application for the Wondfo Test to be included in the ARTG and received its first commercial shipment in April 2020. After fulfilling initial orders, and as part of the TGA's post-market surveillance, the Wondfo test was submitted to the Doherty Institute for evaluation. Although testing conditions were not comparable, the Wondfo Tests performed according to manufacturer's specifications in the most relevant period of 14+ days from symptoms (sensitivity of 93.8%, specificity of 95%). The Group commenced sales and will continue marketing of the Wondfo Tests and other SARS-CoV-2 testing modalities in its repertoire.

iv. Other General Information

Intellectual Property

The Group's intellectual property portfolio currently stands at 54 granted midkine patents, four patent applications under examination and one in PCT (Patent Cooperation Treaty) filing stage. In addition, the Group has 14 granted hair loss patents and one application under examination. The Group was granted four patents during the reporting period including three hair loss related and one midkine patents. The European Patent Office granted the Group's "Improved Midkine Antibody" patent. This patent family protects the composition of humanised midkine antibodies that bind to the C Domain of midkine and their use in several diagnostic and therapeutic disease settings. The Group has also received grants from the Australian and Japanese patent offices in relation to the patent "Method for the treatment of alopecia with monoterpenoids".

Inventory

Inventory holding for the Group increased by 61% to \$2,609,359 (FY2019: \$1,618,408) in preparation for sales growth in Australia, USA and to fulfil consumer product orders into China. Of the \$2,533,846 cost of goods sold in the statement of financial performance for the Group, \$287,113 related to a provision for fair value.

COVID-19 pandemic impact

The Group released its Growth Strategy in February 2019 outlining two key objectives: achieving operational profitability for the consumer health business (Advangen) in FY2020 and the separation of the biotech (Lynamid) and consumer health assets by the end of calendar 2020. As the significant economic and social impact of the COVID-19 pandemic has unfolded the Group removed its guidance relating to its Growth Strategy in March 2020. The drop in bricks-and-mortar retail activity in Japan, Australia and in the USA, and the effective closure of China for months, resulted in lower than expected consumer health sales, although this was offset by an increase in e-commerce revenue from online retailers during FY2020.

The COVID-19 pandemic has also resulted in the addition of a new product line to the diagnostic business; however, this has not made an immediate impact on the financial results of the Group. The pandemic has been a catalyst for a sharp focus on rationalising resources and reducing costs at most areas of the organisations' operations. Overall, the Group demonstrated financial and operational resilience as its transition to largely online sales activities commenced well before the pandemic.

3. FINANCIAL REVIEW

Financial position

The net assets of the Group as at 30 June 2020 were \$9,810,715, up 67% (2019: \$5,857,277) while current assets increased by 60% to \$11,627,853 (2019: \$7,233,627). With the cash and cash equivalents up 126% to \$6,970,967 (2019: \$3,081,924) the Group is in a strong position to deliver on its strategic objectives.

DIRECTORS' REPORT CONTINUED



4. OTHER ITEMS

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the entities in the Group during the 2020 financial year.

Dividends paid or recommended

The Company has not paid or declared any dividends during the financial year (2019: \$Nil).

Significant change since the end of FY2020

The Group signed an exclusive distribution agreement with Tru Beauty Concepts, effective 1 August 2020, a premium salon distributor, for 11 states in the north east of the United States. The distribution agreement is expected to deliver increased US revenue from the second half of FY2021.

Likely developments and expected results of operations

The Group is focused on building sales of its evolis® branded FGF5 inhibitor hair products by maximising market penetration with a growing product range, while continuing the research and development of its midkine asset portfolio through partnerships with the view to execute on the separation from the consumer business. Concurrently, the Group is actively pursuing opportunities for its new product lines, the SARS-CoV-2 testing modalities. Due to the uncertainties that remain as a result of the COVID-19 pandemic, the Group does not provide any forecasts in relation to its performance in FY2021.

Environmental regulations

The Group's operations are not regulated by any significant environmental law of the Commonwealth or of a state or territory of Australia or Japan.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the 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.

Indemnification and insurance of officers and auditors

During the financial year, the Group paid a premium to insure the Directors and Officers of the Group. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors and Officers in their capacity as Officers of the Group, and any other payments arising from liabilities incurred by the Officers in connection with such proceedings. This does not include such liabilities (other than legal costs) that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

During or since the end of the financial year, the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums in favour of its Directors as follows:

- a right to access certain Board papers of the Group during the period of their tenure and for a period of seven years after that tenure ends;
- subject to the Corporations Act 2001, an indemnity in respect of liability to persons other than the Company and its related bodies corporate, that they may incur while acting in their capacity as an officer of the Company or a related body corporate, except for specified liabilities where that liability involves a lack of good faith or is for legal costs for defending certain legal proceedings; and

- the requirement that the Group maintain appropriate directors' and officers' insurance for the officer.

No liability has arisen under these indemnities as at the date of the report.

There is no indemnity cover in favour of the auditor of the Group during the financial year.

Non audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important and relevant where the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board. There were no additional services provided by the auditor during the year.

Meetings of Directors

Nine meetings of the Directors were held during the financial year. Attendances by each Director during the year were as follows:

	Directors' Meetings		Audit Committee		Nomination and Remuneration Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr David King	9	9	6	6	1	1
Ms Maria Halasz	9	9	-	6*	-	-
Mr Bruce Gordon	9	9	6	6	1	1
Dr Fintan Walton	9	9	-	5*	1	1
Dr Martin Cross	9	9	6	6	-	-
Mr Dennis Eck	9	9	-	-	-	-

* by invitation

Shares under option

Unissued ordinary shares of the Company under performance dependent share options at the date of this report are as follows:

	Expiry date	Exercise Price	Number under option
Unlisted options	July 2020	\$0.60	50,000
Unlisted options	September 2021	\$0.80	1,000,000
Unlisted options	October 2021	\$0.80	200,000
Unlisted options	February 2023	\$0.50	254,400
Unlisted options	July 2024	\$0.23	4,250,000
Unlisted options	November 2024	\$0.24	3,200,000
Unlisted options	May 2022	\$0.30	1,000,000
Unlisted options	February 2025	\$0.20	200,000
Unlisted options	March 2025	\$0.23	300,000
Unlisted options	March 2025	\$0.27	500,000
			10,954,400

100,000 performance dependent share options lapsed during the financial year ended 30 June 2020 (2019: 1,500,000 options) and another 265,000 performance dependent share options have lapsed since the end of the financial year to the date of this report.

DIRECTORS' REPORT

CONTINUED

5. REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration agreements for the Group in accordance with the requirements of the Corporations Act 2001 and its regulations.

The information provided in this remuneration report has been audited as required by section 308 (3C) of the Corporations Act 2001.

The key management personnel of the Group for the year consisted of the following directors and management of Cellmid Limited:

Name of Director	Position	Date Appointed	Date Ceased
Dr David King	Non-executive Chairman	18 January 2008	Current
Mr Bruce Gordon	Non-executive Director	1 July 2015	Current
Dr Fintan Walton	Non-executive Director	21 July 2015	Current
Dr Martin Cross	Non-executive Director	16 October 2017	Current
Mr Dennis Eck	Non-executive Director	26 March 2018	Current
Ms Maria Halasz	CEO and Managing Director	14 April 2007	Current
Mr Koichiro Koike	CEO – Advangen Inc.	1 May 2014	Current
Mr Bart Wuurman	CEO - Lynamid	1 June 2019	Current
Mr Brian McGee	CEO – Advangen LLC	1 May 2019	Current

Principles used to determine the nature and amount of remuneration

The performance of the Group depends on the quality of its directors and executives. To prosper, the Group must attract, motivate and retain highly skilled directors and executives. To this end, the Group embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre executives; and
- if and when appropriate, establish performance hurdles in relation to variable executive remuneration.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers of the Group on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

Group performance and link to remuneration

No performance-based cash bonus or incentive payments have been made during the reporting period. The table below details the last five years earnings and total shareholders return.

	\$	\$	\$	\$	\$
	2020	2019	2018	2017	2016
Revenue and Other Income	8,547,715	8,347,184	6,834,924	5,560,121	4,611,108
Operating Profit / (Loss)	(4,108,789)	(3,042,031)	(2,714,117)	(4,022,577)	(3,130,344)
Loss after income tax	(4,907,296)	(5,909,557)	(3,732,615)	(4,482,273)	(3,498,916)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	\$	\$	\$	\$	\$
	2020	2019	2018	2017	2016
Share price at financial year end	0.10	0.17	0.47	0.50	0.66
Total dividends declared	-	-	-	-	-
Basic earnings per share	(5.04)	(7.77)	(6.74)	(8.79)	(7.60)

Remuneration structure

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

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, while incurring costs that are acceptable to shareholders.

Structure

Each non executive director receives a fixed fee for being a Director of the Group.

The Constitution and the ASX Listing Rules specify that the maximum aggregate remuneration of non executive directors shall be determined from time to time by a general meeting of shareholders. At the general meeting of shareholders in 2005, the maximum amount was set at \$300,000 per annum. On 8 November 2018, at the annual general meeting of shareholders, the aggregate remuneration was changed to \$400,000, to ensure that the Group can compensate all of its non-executive directors. In FY2020, the Group paid non executive directors a total of \$252,100 (2019: \$275,325).

The amount of aggregate remuneration sought to be approved by shareholders and the fixed fees paid to directors are reviewed annually. There has been no increase in individual director remuneration during the period.

Executive remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Group and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Structure

A policy of the Board is the establishment of employment or consulting contracts with the Chief Executive Officer and other senior executives. Remuneration consists of fixed remuneration under an employment or consultancy agreement and may include bonus or short term and long-term equity based incentives that are subject to satisfaction of performance conditions. Details of these performance conditions are outlined in the equity-based payments section of this remuneration report. The equity based incentives are intended to retain key executives and reward performance against agreed performance objectives.

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration that is both appropriate to the position and competitive in the market. Fixed remuneration is reviewed annually by the Board and the process consists of a review of Group wide and individual performance, relevant comparative remuneration in the market, and internal and (where appropriate) external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and expense payment plans, such that the manner of payment chosen is optimal for the recipient without creating additional cost for the Group.

DIRECTORS' REPORT CONTINUED



Remuneration details for the year ended 30 June 2020

Details of the remuneration of the directors and key management personnel ("KMP") of the Group (as defined in AASB 124 Related Party Disclosures) and the highest paid executives of Cellmid are set out in the following tables.

2020	Short-term benefits		Long-term benefits	Post-employment benefits	Shares/options based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Equity	
	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	59,583	-	-	5,660	-	65,243
Bruce Gordon	45,000	-	-	-	-	45,000
Fintan Walton	41,670	-	-	-	-	41,670
Martin Cross	45,833	-	-	4,354	-	50,187
Dennis Eck*	-	-	-	-	50,000	50,000
Total non-executive directors	192,086	-	-	10,014	50,000	252,100
Executive directors and KMP ^						
Maria Halasz**	492,603	22,088	10,211	24,914	150,888	700,704
Koichiro Koike	281,172	-	-	22,499	45,000	348,671
Brian McGee***	251,447	-	-	-	13,096	264,543
Bart Wuurman	221,431	-	-	-	200,103	421,534
Total executive directors and KMP	1,246,653	22,088	10,211	47,413	409,087	1,735,452

* Dennis Eck receives no cash remuneration in relation to his role as non-executive director, unlike other Cellmid directors.

Mr Eck's remuneration is expected to be in the form of shares. The issue of these shares is subject to shareholders' approval at the next Annual General Meeting of the Group. In the event that shareholders' approval is not received he will receive the equivalent remuneration to other non-executive directors in cash.

**Maria Halasz - Cash salary includes a backpay component relating to 2019 and consulting fees paid to Direct Capital Group Pty Ltd. Ms Halasz is a director of Direct Capital Group Pty Ltd ("DCG"), that provides consulting services under specific contract to the Group.

*** Brian McGee was appointed as CEO of Advangen LLC, a wholly owned subsidiary of Cellmid Limited, on 1 November 2019.

^ KMP's receive their equity incentives in the form of options. Options issued to Maria Halasz, Koichiro Koike and Brian McGee on 19 November 2019 have not vested during the reporting period. Bart Wuurman's options vested on 1 April 2020.

2019	Short-term benefits		Long-term benefits	Post-employment benefits	Shares/options based payments	Total
	Cash salary fees	Employee entitlements	Employee entitlements	Superannuation	Equity	
	\$	\$	\$	\$	\$	\$
Directors						
Non-executive directors						
David King	65,000	-	-	6,175	-	71,175
Bruce Gordon	50,000	-	-	-	-	50,000
Fintan Walton	50,000	-	-	-	-	50,000
Martin Cross	50,000	-	-	4,750	-	54,750
Dennis Eck*	-	-	-	-	49,400	49,400
Total non-executive directors	215,000	-	-	10,925	49,400	275,325
Executive directors and KMP						
Maria Halasz**	447,391	21,678	4,583	22,800	-	496,452
Koichiro Koike	216,720	-	-	-	65,814	282,534
Bart Wuurman***	24,000	-	-	-	-	24,000
Total executive directors and KMP	688,111	21,678	4,583	22,800	65,814	802,986

* Dennis Eck receives no cash remuneration in relation to his role as non-executive director, unlike other Cellmid directors.

Mr Eck's remuneration is expected to be in the form of shares. The issue of these shares is subject to shareholders' approval at the next Annual General Meeting of the Group. In the event that shareholders' approval is not received he will receive the equivalent remuneration to other non-executive directors in cash.

**Maria Halasz - Short-term benefits include consulting fees paid to Direct Capital Group Pty Ltd. Ms Halasz is a director of Direct Capital Group Pty Ltd ("DCG"), that provides consulting services under specific contract to the Group.

*** Bart Wuurman commenced employment 1 June 2019.

Directors' and Key Management Personnel (KMP) shareholdings

The number of shares held in the Group during the financial year by each Director and (KMP) of Cellmid Limited, including their related parties, are set out below:

2020	Balance at beginning of year	Received as part remuneration	Other changes	Balance at end of year
David King	1,400,000	-	300,000	1,700,000
Maria Halasz	2,019,938	-	980,062	3,000,000
Bruce Gordon	110,000	-	50,000	160,000
Fintan Walton	65,000	-	-	65,000
Martin Cross	175,000	-	150,000	325,000
Dennis Eck *	5,461,579	217,391	6,818,182	12,497,152
Koichiro Koike	157,146	-	-	157,146
Brian McGee	-	-	-	-
Bart Wuurman	-	-	-	-
2019				
David King	1,400,000	-	-	1,400,000
Maria Halasz	1,573,651	500,000	(53,713)	2,019,938
Bruce Gordon	75,000	-	35,000	110,000
Fintan Walton	65,000	-	-	65,000
Martin Cross	45,000	-	130,000	175,000
Dennis Eck	2,700,000	130,000	2,631,579	5,461,579
Koichiro Koike	12,500	144,646	-	157,146
Bart Wuurman	-	-	-	-

* Dennis Eck receives no cash remuneration in relation to his role as non-executive director. His remuneration was provided in the form of shares, approved by shareholders at the Annual General Meeting of the Group.

DIRECTORS' REPORT

CONTINUED

Directors' and KMP option holdings

The number of options held in the company during the financial year by each director and member of key management personnel of Cellmid Limited, including their personally related parties, are set out below.

	Balance at beginning of year	Acquired	Disposed/Expired/ Exercised/	Received as part of 2020 remuneration	Balance at end of year	Vested at end of year
2020						
David King	-	-	-	-	-	-
Maria Halasz	-	-	-	3,000,000	3,000,000	-
Bruce Gordon	-	-	-	-	-	-
Fintan Walton	-	-	-	-	-	-
Martin Cross	-	-	-	-	-	-
Dennis Eck	-	-	-	-	-	-
Koichiro Koike	-	-	-	1,000,000	1,000,000	-
Brian McGee	-	-	-	200,000	200,000	-
Bart Wuurman	-	-	-	2,500,000	2,500,000	2,000,000
	Balance at beginning of year	Acquired	Disposed/Expired/ Exercised/	Received as part of 2019 remuneration	Balance at end of year	Vested at end of year
2019						
David King	200,000	-	(200,000)	-	-	-
Maria Halasz	-	-	-	-	-	-
Bruce Gordon	100,000	-	(100,000)	-	-	-
Fintan Walton	100,000	-	(100,000)	-	-	-
Martin Cross	-	-	-	-	-	-
Dennis Eck	-	-	-	-	-	-
Koichiro Koike	50,000	-	(50,000)	-	-	-
Bart Wuurman	-	-	-	-	-	-

Relationship between remuneration policy and company performance

The proportion of remuneration linked to performance and the proportion that is fixed is as follows:

	Fixed remuneration		At risk STI		At risk LTI	
	2020 %	2019 %	2020 %	2019 %	2020 %	2019 %
David King	100.00	100.00	-	-	-	-
Maria Halasz	78.47	100.00	17.13	-	4.40	-
Bruce Gordon	100.00	100.00	-	-	-	-
Fintan Walton	100.00	100.00	-	-	-	-
Martin Cross	100.00	100.00	-	-	-	-
Dennis Eck [^]	100.00	100.00	-	-	-	-
Koichiro Koike	87.09	76.80	12.91	23.20	-	-
Brian McGee	95.05	-	4.54	-	0.41	-
Bart Wuurman	52.53	100.00	47.45	-	0.02	-

24 [^]Dennis Eck remuneration is expected to be received on an equity basis in the form of shares.

Service agreements

Maria Halasz

The remuneration of the Chief Executive Officer, Maria Halasz, reflects the activities of the two business units, Advangen Limited and Lynamid Limited, within the Group.

On 1 July 2019 a service agreement was signed between the Group and Maria Halasz. Pursuant to this service agreement Maria Halasz's salary component incurred by Cellmid Limited was reduced, and a consulting agreement with Advangen Limited, was signed by Direct Capital Group Pty Ltd, a company associated with Ms Halasz, to better reflect her operational responsibilities.

The above arrangement is covered under one service agreement and the conditions are as follows:

- The remuneration for Ms Halasz is fixed, however, at the discretion of the Board and subject to approval by shareholders, she may receive performance-based incentives in the future.
- The duration of the service agreement is 3 years. In the event that the parties do not sign a new agreement prior to the expiry of the term, the agreement is automatically extended for 12 months.
- No leave and superannuation entitlement accrue in relation to the consulting agreements with Direct Capital Group Pty Ltd.
- Ms Halasz may resign from her position and thus terminate the service agreement, including the consulting agreements with Direct Capital Group Pty Ltd, by giving six months' written notice. On resignation any unvested options will be forfeited.
- The Group may terminate the employment agreement, including the consulting agreements with Direct Capital Group Pty Ltd, by providing six months' written notice or providing payment in lieu of the notice period (based on the fixed component of Ms Halasz's remuneration).
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

Koichiro Koike

Koichiro Koike is contracted as CEO of Advangen Inc., the Group's wholly owned Japanese subsidiary, on the following terms and pursuant to Japanese employment laws and as revised on 20 August 2019:

- The remuneration of Mr Koike is fixed, however, at the discretion of the Board he may receive performance-based incentives.
- There is no fixed term in Mr Koike's contract.
- There is leave, retirement and travel allowance included in the remuneration.
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

Brian McGee

Brian McGee was appointed as CEO of Advangen LLC, the Group's wholly owned US subsidiary, on the following terms on 1 November 2019:

- Mr McGee's remuneration is fixed, however, at the discretion of the Board he may receive performance-based incentives.
- The term of the contract is one year extendable to a further two years.
- The Group or Mr McGee may terminate the contract by giving one-month notice.
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

Bart Wuurman

Bart Wuurman is contracted as CEO of Lynamid Limited pursuant to a modified service agreement dated 1 April 2020 on the following terms:

- Mr Wuurman's remuneration consists of a fixed and at-risk component.
- The term of the service agreement is three months extendable by mutual consent (extended on 1 July 2020).
- There is no leave and retirement component in the service agreement.
- The Group may terminate the service agreement with one-month notice.
- The Group may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the CEO is only entitled to that portion of remuneration, which is fixed, and only up to the date of termination.

DIRECTORS' REPORT

CONTINUED



Equity-based compensation

Equity-based compensation in the form of shares and options over ordinary shares were issued during the year ended 30 June 2020.

Shares and options were granted to some executives of the Group under the Employee Incentive Plan and/or as approved by shareholders at the annual general meeting on 19 November 2019. Ordinary shares and options were issued under the following conditions attached:

Name	Grant date	Number issued	Vesting date	Service and performance criteria
Dennis Eck	20/11/2019	217,391		Grant condition was previous service as a director without compensation. The accumulated director's fee was to be taken in shares in lieu of cash. The fair value of the shares at the date of grant was \$50,000, equivalent to the accumulated unpaid director's fees. The condition of previous unpaid service as a director has been met.
Maria Halasz	20/11/2019	3,000,000		Unvested, vesting subject to key performance indicators assessed at 30 June 2020 (1,000,000) and 30 June 2022 (2,000,000) including achieving growth, profitability of the Group, monetisation of certain assets and share price performance over 3 years. Subject to meeting vesting conditions the options are exercisable at \$0.24 each on or before 20 November 2024 with a fair value per option at grant date of \$0.12.
Koichiro Koike	30/7/2019	1,000,000		Unvested, vesting subject to key performance indicators assessed at 30 June 2020 (500,000) and 30 June 2022 (500,000) including achieving growth, profitability of Japan and the Group, monetisation of some of the consumer health assets, increased distribution and team based performance over 3 years. Subject to meeting vesting conditions the options are exercisable at \$0.23 each on or before 30 July 2024 with a fair value per option at grant date of \$0.12.

Name	Grant date	Number issued	Vesting date	Service and performance criteria
Brian McGee	30/7/2019	200,000		Unvested, vesting subject to key performance indicators assessed at 30 June 2020 (100,000) and 30 June 2022 (200,000) including profitability, effective team-based performance across the Group and increased distribution and sales. Subject to meeting vesting conditions the options are exercisable at \$0.23 each on or before 30 July 2024 with a fair value of per option at grant date of \$0.12.
Bart Wuurman	30/7/2019	31/3/2020 500,000	2,000,000 1/4/2020	2,000,000 options vested on the condition of accepting a reduced cash compensation. 500,000 unvested with the vesting condition of securing dedicated funding for Lyramid. 2,000,000 options are exercisable at \$0.23 each on or before 30 July 2024. Subject to meeting vesting condition 500,000 options are exercisable on or before 31 March 2025 at \$0.27 each with a fair value per option at grant date of \$0.15.

Loans to directors and other members of key management personnel

There were no loans to directors or other members of key management personnel during or since the end of the financial year.

Cellmid Limited received 81.05% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2019. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Use of remuneration consultants

The Group's Nomination and Remuneration Committee may employ the services of remuneration consultants from time to time to review and provide recommendations in respect of the amount and elements of executive remuneration, including short-term and long-term incentive plans. No remuneration consultant was used during the current financial year.

This concludes the remuneration report which has been audited.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 30 June 2020 has been received and can be found on page 67 of the financial report.

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Dr David King
Director

Dated this 27th day of August 2020

CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, Cellmid Limited and its Controlled Entities ('the Group') have adopted a corporate governance framework and practices to ensure they meet the interests of shareholders.

The Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations – 3rd edition ('the ASX Principles') are applicable for financial years commencing on or after 1 July 2014, consequently for the Group's 30 June 2020 year end. As a result, the Group has chosen to publish its Corporate Governance Statement on its website rather than in this Annual Report.

The Corporate Governance Statement and governance policies and practices can be found in the corporate governance section of the Company's website at <http://www.cellmid.com.au>.

The Group's Corporate Governance Statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles. All of these practices, unless otherwise stated, were in place for the full reporting period.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020		Consolidated	
	Note	2020 \$	2019 \$
Total Revenue from contracts with customers	3	7,482,311	7,389,473
Cost of goods sold		(2,533,846)	(2,137,384)
Gross Profit		4,948,465	5,252,089
Other income	4	1,065,404	957,711
Selling and distribution expenses	5	(2,024,059)	(1,714,787)
Research and development expenses	5	(849,019)	(848,473)
Administrative expenses	5	(5,175,169)	(5,378,421)
Impairment of financial assets	5	(163,835)	(43,050)
Other operating expenses	5	(1,910,576)	(1,267,100)
Operating Profit / (Loss)		(4,108,789)	(3,042,031)
Finance costs		(71,257)	(235,043)
Legal fees and claim	5	(637,777)	(2,608,371)
Loss before income tax expense		(4,817,823)	(5,885,445)
Income tax expense	6	(89,473)	(24,112)
Loss for the year after income tax		(4,907,296)	(5,909,557)
Other comprehensive income, net of income tax			
<i>Items that will be reclassified to profit or loss when specific conditions are met</i>			
Exchange differences on translating foreign controlled entities		30,647	115,798
Total comprehensive income for the year		(4,876,649)	(5,793,759)
Loss for the year attributable to:			
Owners of Cellmid Limited		(4,907,296)	(5,909,557)
Total comprehensive income for the year attributable to:			
Owners of Cellmid Limited		(4,876,649)	(5,793,759)
Earnings per share for loss attributable to the owners of Cellmid Limited			
Basic earnings per share (cents)	9	(5.04)	(7.77)
Diluted earnings per share (cents)	9	(5.04)	(7.77)

The above Statement of Consolidated Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020		Consolidated	
	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	6,970,967	3,081,924
Trade and other receivables	11	1,870,632	2,286,671
Inventories	12	2,609,359	1,618,408
Other assets	13	176,895	246,624
TOTAL CURRENT ASSETS		11,627,853	7,233,627
NON-CURRENT ASSETS			
Plant and equipment	14	764,031	800,243
Right of use assets	15	739,325	-
Intangibles	16	1,757,002	1,758,264
TOTAL NON CURRENT ASSETS		3,260,358	2,558,507
TOTAL ASSETS		14,888,211	9,792,134
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	2,770,047	2,426,909
Loans and borrowings	18	217,893	266,804
Lease liabilities	19	247,335	-
Provisions	20	248,716	214,549
TOTAL CURRENT LIABILITIES		3,483,991	2,908,262
NON-CURRENT LIABILITIES			
Loans and borrowings	18	1,033,826	1,019,855
Lease liabilities	19	462,411	-
Provisions	20	97,268	6,740
TOTAL NON CURRENT LIABILITIES		1,593,505	1,026,595
TOTAL LIABILITIES		5,077,496	3,934,857
NET ASSETS		9,810,715	5,857,277
EQUITY			
Issued capital	21	56,064,284	47,765,837
Reserves	22	1,137,254	632,353
Accumulated losses		(47,390,823)	(42,540,913)
TOTAL EQUITY		9,810,715	5,857,277

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2019		47,765,837	103,950	528,403	(42,540,913)	5,857,277
Adjustment from the adoption of AASB 16	1	-	-	-	57,386	57,386
Adjusted balance at 1 July 2019		47,765,837	103,950	528,403	(42,483,527)	5,914,663
Loss for the year		-	-	-	(4,907,296)	(4,907,296)
Other comprehensive income / (loss)		-	-	30,647	-	30,647
Total comprehensive income / (loss) for the year		-	-	30,647	(4,907,296)	(4,876,649)
Transactions with equity holders						
Equity share-based compensation	22	-	411,554	-	-	411,554
Shares issued – net of transaction costs	21	8,298,447	62,700	-	-	8,361,147
Balance at 30 June 2020		56,064,284	578,204	559,050	(47,390,823)	9,810,715

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Issued Capital \$	General Reserve \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated Balance at 1 July 2018		38,014,078	18,258	2,164,497	412,605	(38,754,266)	1,855,172
Loss for the year		-	-	-	-	(5,909,557)	(5,909,557)
Other comprehensive income / (loss)		-	-	-	115,798	-	115,798
Total comprehensive income / (loss) for the year		-	-	-	115,798	(5,909,557)	(5,793,759)
Transactions with equity holders							
Equity share-based compensation	22	318,414	-	-	-	-	318,414
Shares issued – net of transaction costs	21	9,548,140	-	92,360	-	-	9,640,500
Share buy back		(114,795)	-	-	-	-	(114,795)
Transfer to accumulated losses		-	(18,258)	(2,152,907)	-	2,122,910	(48,255)
Balance at 30 June 2019		47,765,837	-	103,950	528,403	(42,540,913)	5,857,277

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated	
		2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		8,291,383	6,399,171
Payments to suppliers and employees		(13,319,089)	(12,954,633)
Interest received		19,753	76,116
Grant income and other benefits from government		994,848	807,973
Net cash used in operating activities	23	(4,013,105)	(5,671,373)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase/(proceeds) from acquisition/(disposal) of plant and equipment		-	(65,677)
Net cash used in investing activities		-	(65,677)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issue of shares		8,847,000	10,111,000
Share buy back		-	(114,795)
Share issue costs		(535,828)	(470,499)
Proceeds from borrowings		273,447	-
Repayment of borrowings		(300,253)	(1,987,446)
Repayment of leasing liabilities		(233,214)	-
Finance costs		(71,257)	(263,289)
Net cash provided by financing activities		7,979,895	7,274,971
Net increase / (decrease) in cash and cash equivalents held		3,966,790	1,537,921
Cash and cash equivalents at beginning of financial year		3,081,924	1,607,783
Effect of exchange rate changes		(77,747)	(63,780)
Cash and cash equivalents at end of financial year	10	6,970,967	3,081,924

The above Statement of Cashflows should be read in conjunction with the accompanying notes.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

Cellmid Limited is a public company, listed on the Australian Securities Exchange, limited by shares and incorporated and domiciled in Australia.

The financial statements cover Cellmid Limited as a Group, consisting of Cellmid Limited and the entities it controlled at the end of, or during the year.

The financial statements were authorised for issue by the Directors on 27th August 2020.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Cellmid Limited is a for profit entity for the purpose of preparing the financial statements.

These financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for certain non current assets and financial instruments that are measured at re valued amounts or fair values. All amounts are presented in Australian dollars, unless otherwise noted.

New standards and interpretations not yet adopted by the Group

AASB 16 Leases

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the administration expense is now replaced by interest expense and depreciation in the statement of financial performance. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening accumulated losses as at 1 July 2019 was as follows:

	1 July 2019
	\$
Operating lease commitments as at 1 July 2019 (AASB 117)	998,635
Contracts reassessed as lease contracts	117,061
Discounted using incremental borrowing rate	(94,695)
Right-of-use assets (AASB 16)	<u>1,021,001</u>
Lease liabilities - current (AASB 16)	(260,278)
Lease liabilities - non-current (AASB 16)	(668,921)
Make good provisions	(84,921)
Increase in opening accumulated losses as at 1 July 2019 ^	<u>(6,881)</u>
	<u>1,021,001</u>

^ In addition to the opening balance adjustment of \$6,881, a lease incentive provision was also adjusted for under AASB 16 in FY2020. This represented a benefit to opening accumulated losses at 1 July 2019 of \$64,267.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

When adopting AASB 16 from 1 July 2019, the Group has applied the following assumptions:

- o applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- o accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- o excluding any initial direct costs from the measurement of right-of-use assets; and
- o using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

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 Group 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 Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to the statement of financial performance 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 Group'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 statement of financial performance if the carrying amount of the right-of-use asset is fully written down.

AASB Interpretation 23 - Uncertainty over Income Tax Treatments

The Group entity has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the consolidated entity to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the consolidated entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the consolidated entity

concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on the opening accumulated losses as at 1 July 2019.

New and amended standards adopted by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the AASB. None of these Standards or amendments to existing Standards have been adopted early by the Group. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas of assumptions and estimates are:

• Coronavirus Pandemic (COVID-19)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

• Allowance for Credit Losses

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

• Impairment of non-financial assets

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

• Inventories

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

• R&D Tax Incentives

From 1 July 2011 the Australian Government has provided a tax incentive, in the form of a refundable tax offset of 43.5%, for eligible research and development expenditure. Management has assessed its research and development activities and expenditure to determine which are likely to be eligible under the scheme. For the period ended 30 June 2020 the Group has recorded an item in other income of \$840,288 (2019: \$807,973) based on tax refund received from the government.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

• Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes method taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments do not have any impact on the carrying amounts of assets and liabilities within the subsequent annual reporting period but may impact expenses and equity.

• Estimated impairment of intangibles

The Group tests whether intangible assets have suffered any impairment at each reporting date. The recoverable amount of intangible assets is assessed at its value in use. This calculation requires the use of assumptions.

Comparatives

Certain comparative in the statement of profit or loss and other comprehensive income and statement of financial position have been reclassified, where necessary, to be consistent with current year presentation.

Parent Entity Information

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Group only. Supplementary information about the parent entity is included in Note 30.

Going concern

Based on its current commitments, the Group has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial report has been prepared on a going concern basis.

The directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements, and the directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cellmid Limited ("the Company") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Cellmid Limited and its subsidiaries together are referred to in these financial statements as "the Group".

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity.

The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group is organised into two main operating segments:

The Group has operated primarily through its holding entity, Cellmid (diagnostics) and two subsidiary companies, Advangen Limited (consumer health product development and sales) and Lyramid Limited (midkine and midkine antibody research and development).

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources both from a product and geographic perspective. There is no aggregation of operating segments. The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA" or "Operating Profit/ (Loss)") to assess the performance of operating segments. However, the CODM also receive information about segments revenue and assets on a monthly basis.

The principal products and services of each of these operating segments are as follows (further details on the business of each segment is included in the Directors' Report of this document):

Operating Profit / Loss

Operating profit / loss excludes the effects of significant one-off items of income and expenditure, which are not gained/ incurred in the ordinary course of business of either Cellmid, Lyramid or Advangen, such as legal claim and related legal expenses. It also excludes the effects of equity-settled share-based payments. Corporate expense categories including net finance costs, employee benefits, depreciation and amortisation are not allocated to segments, as this type of activity relates to the Head Office / corporate function of the Group.

Functional and presentation currency

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

Foreign currency transactions

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

Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income. The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Revenue recognition

For each contract with a customer, the Group:

- identifies the contract with a customer;
- identifies the performance obligations in the contract;
- determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from the sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Interest revenue is recognised as interest accrues using the effective interest rate method.

Grants and other benefits received from the government are recognised in the statement of financial performance at the fair value of the cash received. Government grants are primarily research and development tax incentives. This represents a refundable tax offset that is available on eligible research and development expenditure incurred by the Group.

Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and adjustments recognised for prior periods where applicable. The Group is tax consolidated in Australia.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to owners of Cellmid Limited, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

Trade receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less expected credit losses (ECL).

Collectability of receivables is reviewed on an ongoing basis and debts which are known to be uncollectible are written off. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, and where necessary, adjusted for forward-looking factors specific to the debtors and the latest economic environment.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and direct labour with any variable and fixed overheads expensed in a period cost. Costs of purchased inventory are determined after deducting rebates and realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

Plant and equipment

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount

Depreciation / Amortisation

Depreciation is calculated on a straight line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Amortisation of the cost of the Midkine protein asset is calculated on a ug (or mg) basis as the protein is consumed through research activities and/or production of MK Elisa kits.

NOTES TO THE FINANCIAL STATEMENTS

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The depreciation rates used for each class of asset are:

Class of asset	Depreciation Rate
Furniture and fittings	20%
Office equipment	6.7% – 40.0%
Midkine	Based on usage

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Patents and trademarks

Patents and trademarks have a finite life and are measured at cost less any accumulated amortisation and any impairment losses.

Research and development

Research expenditure and development expenditure that do not meet the criteria below are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Impairment of intangible assets.

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment includes the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. The recoverable amounts of the asset is determined based on reviewing the status of the research and development program, progress on its patent applications and projected cash flow calculations. These calculations require the use of assumptions, including estimating timing of cash flows, product development and availability of resources to exploit the assets.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 Group 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 Group 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.

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Due to their short-term nature they are measured at amortised cost and are not discounted.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

NOTES TO THE FINANCIAL STATEMENTS

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Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability, a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

Short term obligations

Liability for wages and salaries, including non-monetary benefits, annual leave, long service leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables 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 benefit obligations

Liability for annual leave and long service leave not expected to be settled within 12 months from the reporting date is recognised in the provision for employee benefits and 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, of employee departures and period of service.

Retirement benefit obligations

Contributions for retirement benefit obligations are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available. Contributions are paid into the fund nominated by the employee.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account

Share-based payments

Share -based compensation benefits are provided to employees and directors via an employee option plan and the executive incentive scheme.

The fair value of options granted is recognised as a benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted including:

- any market performance conditions (e.g. the entity's share price)
- the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, and are allocated to share capital.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Where any Group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Group as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

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2. SEGMENT INFORMATION

2020	Diagnostics		Consumer Health			Group Total
	Cellmid/Lyramid Australia	Advangen Australia	Advangen USA	Advangen Japan	Advangen Total	
	\$	\$	\$	\$	\$	\$
Total revenue and other income	1,110,515	1,198,490	625,873	5,612,837	7,437,200	8,547,715
Cost of goods sold	(357,554)	(213,311)	(266,508)	(1,696,473)	(2,176,292)	(2,533,846)
Selling and distribution expenses	(183,609)	(761,109)	(266,542)	(812,799)	(1,840,450)	(2,024,059)
Research and development expenses	(439,949)	(286,692)	-	(122,378)	(409,070)	(849,019)
Administrative expenses	(788,495)	(868,545)	(722,834)	(1,971,351)	(3,562,730)	(4,351,225)
Other operating expenses	(251,551)	(247,931)	(43,511)	(498,043)	(789,485)	(1,041,036)
Segment operating profit/(loss)	(910,643)	(1,179,098)	(673,522)	511,793	(1,340,827)	(2,251,470)
Corporate costs and unallocated items						
Consultancy expense						(166,445)
Subscription expense						(58,639)
Occupancy expense						(32,669)
Share-based payment compensation						(411,554)
Directors' remuneration						(257,102)
Employee benefits expense						(412,254)
Depreciation and amortisation						(518,656)
Finance costs						(71,257)
Legal fees and claim						(637,777)
Profit / (Loss) before income tax expense						(4,817,823)
Income tax expense						(89,473)
Profit / (Loss) after income tax expense						(4,907,296)
Total assets	6,617,970	1,497,189	385,936	6,387,116	8,270,241	14,888,211
Total liabilities	672,648	1,743,667	62,870	2,598,311	4,404,848	5,077,496
Total Intercompany	18,913,680	(13,556,285)	(2,821,212)	(2,536,183)	(18,913,680)	-

2. SEGMENT INFORMATION (CONTINUED)

2019	Diagnostics		Consumer Health		Advangen Total	Group Total
	Cellmid/Lyramid Australia	Advangen Australia	Advangen USA	Advangen Japan		
	\$	\$	\$	\$	\$	\$
Total revenue and other income	1,008,217	993,748	415,371	5,929,848	7,338,967	8,347,184
Cost of goods sold	(2,927)	(288,259)	(97,458)	(1,748,740)	(2,134,457)	(2,137,384)
Selling and distribution expenses	(185,602)	(619,184)	(432,881)	(477,120)	(1,529,185)	(1,714,787)
Research and development expenses	(576,919)	(193,568)	(5,322)	(72,664)	(271,554)	(848,473)
Administrative expenses	(723,328)	(1,179,594)	(594,497)	(1,664,789)	(3,438,880)	(4,162,208)
Other operating expenses	(180,401)	(208,143)	(138,168)	(310,109)	(656,420)	(836,821)
Segment operating profit/(loss)	(660,960)	(1,495,000)	(852,955)	1,656,426	(691,529)	(1,352,489)
Corporate costs and unallocated items						
Consultancy expense						(190,409)
Subscription expense						(108,158)
Occupancy expense						(187,623)
Share-based compensation						(318,414)
Directors' remuneration						(225,925)
Employee benefits expense						(506,122)
Depreciation and amortisation						(152,891)
Finance costs						(235,043)
Legal fees and claim						(2,608,371)
Profit / (Loss) before income tax expense						(5,885,445)
Income tax expense						(24,112)
Profit / (Loss) after income tax expense						(5,909,557)
Total assets	2,721,707	929,356	378,162	5,762,909	7,070,427	9,792,134
Total liabilities	850,045	1,167,138	187,041	1,730,633	3,084,812	3,934,857
Total intercompany	16,810,307	(14,245,413)	(1,913,395)	(651,499)	(16,810,307)	-

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies a single external customer in the Advangen segment who accounts for \$3.4M of external revenue (2019: \$2.8M). The next most significant customer accounts for \$0.5M (2019: \$0.9M) of external revenue.

NOTES TO THE FINANCIAL STATEMENTS

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3. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020	2019
	\$	\$
Sale of goods transferred at a point in time	7,380,895	7,301,686
Royalties and license fees recognised at a point in time	101,416	87,787
Total revenue from contracts with customers	7,482,311	7,389,473

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

- Heritage hair loss brands including Jo-Ju® and Lexilis®	5,541,809	5,888,754
- evolis® Pharmacy range	512,682	713,323
- Evolis® Professional range	1,228,169	681,814
- Diagnostics income	199,651	105,582
Total revenue from contracts with customers	7,482,311	7,389,473

4. OTHER INCOME

	2020	2019
	\$	\$
Other income:		
- Interest income	19,753	76,870
- Other income ^	205,363	72,868
- Government grants	840,288	807,973
Total other income	1,065,404	957,711

^ Other income received in the year included Government assistance in the form of Jobkeeper and Cashboost.

5. MATERIAL PROFIT OR LOSS ITEMS

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
Cost of goods sold	(2,533,846)	(2,137,384)
Advertising and marketing expenses	(1,486,911)	(1,096,930)
Travel expenses	(342,569)	(568,895)
Consultancy expenses	(632,771)	(626,623)
Employee benefits expense	(3,835,910)	(3,918,933)
Legal fees and claim	(637,777)	(2,608,371)
Impairment of financial assets - receivables	(163,835)	(43,050)
Depreciation and amortisation expense	(518,656)	(152,891)
Other expenses	(851,221)	(611,769)

6. INCOME TAX

(a) The major components of income tax expense comprise:

Income tax expense	(89,473)	(24,112)
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(b) Numerical reconciliation of income tax expense to accounting loss:

Loss for the year before income tax expense	(4,817,823)	(5,885,445)
Prima facie tax benefit on loss from ordinary activities before income tax at 27.50% (2019: 27.50%)	(1,324,901)	(1,618,497)

Add / (less) tax effect of:

- Adjustment for tax-rate differences in foreign jurisdictions	49,477	60,691
- Share based payments	113,177	87,564
- Sundry items	5,914	(132,918)
- Research and development expenditure	574,603	541,688
- Tax losses not brought to account	492,257	1,037,360
Income tax expense	(89,473)	(24,112)
- current tax	(89,473)	(24,112)
- deferred tax	-	-
	(89,473)	(24,112)

The Group operates across three main tax jurisdictions being Australia, Japan and USA each with different corporate income tax rates.

(c) Unused tax losses

Movements in unused tax losses	Australia \$	Japan \$	USA \$	Total \$
Carried forward unused tax losses at the beginning of the financial year	29,988,213	78,133	1,676,482	31,742,828
Prior period differences between tax calculation and income tax return	(3,432,379)	701,998	-	(2,730,381)
Actual carried forward unused tax losses at the beginning of the financial year	26,555,834	780,131	1,676,482	29,012,447
Current unused / (used) tax losses for which no deferred tax asset has been recognised	1,833,620	82,224	966,958	2,882,802
Carried forward unused tax losses at the end of the financial year	28,389,454	862,355	2,643,440	31,895,249
Notional tax rate	27.50%	30.86%	21.00%	-
Potential future tax benefit	7,807,100	266,123	555,122	8,628,345

NOTES TO THE FINANCIAL STATEMENTS

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6. INCOME TAX (CONTINUED)

No income tax benefit was recognised. This income tax benefit arising from tax losses will only be realised if

- the Group derives future assessable income of a nature and of an amount sufficient to enable the Group to benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; maintains the continuity of ownership test and has carried on the same business since the tax loss was incurred; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

The Group has adopted the small business tax rate for the Australian entities, being 27.5%. The Group meets the small business eligibility criteria set by the Australian Taxation Office being aggregated turnover below \$25 million and 80% or less of assessable income is passive income. The Group has no capital tax losses available.

7. KEY MANAGEMENT PERSONNEL DISCLOSURES ("KMP")

Directors and key management personnel compensation

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2020.

The total of remuneration paid to the directors and KMP of the company and the Group during the year are as follows:

	2020 \$	2019 \$
Short term employment benefits	1,460,827	924,789
Long-term benefits	10,211	4,583
Post employment benefits	57,427	33,725
Share-based payments	459,087	115,214
	1,987,552	1,078,311

8. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Limited, the auditor of the parent entity, its related practices and unrelated firms:

	2020 \$	2019 \$
Audit or review of the Group Cellmid Limited		
- Australia (Grant Thornton)	103,500	97,500
- Japan (Grant Thornton)	13,000	10,000
	116,500	107,500

9. EARNINGS PER SHARE

	2020 \$	2019 \$
Basic and diluted earnings per share (in cents)	(5.04)	(7.77)
Reconciliation of earnings to profit or loss from continuing operations		
Loss for the year attributable to the owners of Cellmid Limited	(4,907,296)	(5,909,557)
Weighted average number of ordinary shares used in calculating basic and dilutive earnings per share	No. 97,350,774	No. 75,729,120

Details relating to options are set out in Note 29.

10. CASH AND CASH EQUIVALENTS

Cash at bank and on hand	6,970,967	3,081,924
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The effective interest rate on short term bank deposits at 30 June 2020 was 0.75% (2019: 2.4%). These deposits were all at call.

11. TRADE AND OTHER RECEIVABLES

Current

Trade receivables	2,051,246	2,228,939
Less: Allowance for expected credit losses	(220,875)	(86,075)
Other receivables	40,261	143,807
	1,870,632	2,286,671

Impairment of receivables

The Group has recognised a loss of \$163,835 (2019: \$43,050) in the statement of financial performance in respect of impairment of receivables for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

2020	Expected Credit Loss Rate %	Carrying Amount \$	Allowance for expected credit losses \$
Not due	0%	1,734,626	-
More than 30 days past due	1%	79,995	800
More than 60 days past due	20%	6,291	1,258
More than 90 days past due	95%	230,334	218,817
		2,051,246	220,875

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

2019	Expected Credit Loss Rate %	Carrying Amount \$	Allowance for expected credit losses \$
Not due	0%	2,085,873	-
More than 30 days past due	1%	37,535	413
More than 60 days past due	20%	19,456	3,891
More than 90 days past due	95%	86,075	81,771
		<u>2,228,939</u>	<u>86,075</u>

Movements in the allowance for expected credit losses are as follows:

	2020 \$	2019 \$
Opening balance	86,075	56,967
Additional provisions recognised	163,835	43,050
Receivables written off and other adjustments during the year	(33,964)	(13,942)
Foreign exchange movements	4,929	-
Closing balance	<u>220,875</u>	<u>86,075</u>

Effective interest rates and credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or Group of counterparties other than those receivables specifically provided for and mentioned within Note 26. The class of assets described as 'trade and other receivables' is considered to be the main source of credit risk related to the Group.

There is no interest rate risk for the balances of trade and other receivables. There is no material credit risk associated with other receivables.

12. INVENTORIES

Consumer Health-raw materials at cost	657,432	577,477
Consumer Health-finished goods at cost	1,685,144	1,005,738
Diagnostics – finished goods at cost	32,560	35,193
Diagnostics – finished goods at fair value less cost to sell	234,223	-
	<u>2,609,359</u>	<u>1,618,408</u>

Provisioning of inventories to net realisable value amounted to \$287,113 (2019: \$42,890). These were recognised as an expense during the year ended 30 June 2020 and included in the cost of sales in the statement of profit or loss and other comprehensive income.

13. OTHER ASSETS

	2020 \$	2019 \$
Prepayments	176,895	246,624

14. PLANT AND EQUIPMENT

At cost	1,588,003	1,569,030
Accumulated depreciation / amortisation	(823,972)	(768,787)
	<u>764,031</u>	<u>800,243</u>

Movements in carrying amounts of plant and equipment	Computers and Office Equipment	Furniture and Fittings	Midkine	Total
At cost	534,765	53,238	1,000,000	1,588,003
Accumulated depreciation / amortisation	(420,058)	(40,785)	(363,129)	(823,972)
Net book value	114,707	12,453	636,871	764,031
Balance at 1 July 2019	133,000	16,739	650,504	800,243
Additions	-	-	-	-
Depreciation / amortisation	(75,670)	(7,181)	(13,633)	(96,484)
Foreign exchange movements	57,377	2,895	-	60,272
Balance at 30 June 2020	114,707	12,453	636,871	764,031

Movements in carrying amounts of plant and equipment	Computers and Office Equipment	Furniture and Fittings	Midkine	Total
At cost	516,431	52,599	1,000,000	1,569,030
Accumulated depreciation / amortisation	(383,431)	(35,860)	(349,496)	(768,787)
Net book value	133,000	16,739	650,504	800,243
Balance at 1 July 2018	107,676	10,077	653,237	770,990
Additions	56,536	9,141	-	65,677
Depreciation / amortisation	(28,532)	(2,479)	(2,733)	(33,744)
Foreign exchange movements	(2,680)	-	-	(2,680)
Balance at 30 June 2019	133,000	16,739	650,504	800,243

15. RIGHT-OF-USE-ASSETS

	2020 \$	2019 \$
Non current assets		
Right-of-use assets	1,021,001	-
Less: accumulated depreciation	(281,676)	-
	<u>739,325</u>	<u>-</u>

Written down values at the beginning and end of the financial year are set out below:

Adoption of AASB 16 on 1 July 2019	1,021,001	-
Depreciation expense	(281,676)	-
	<u>739,325</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

16. INTANGIBLE ASSETS

	2020	2019
	\$	\$
Patents and trademarks		
At cost	2,683,554	2,509,874
Accumulated amortisation	(926,552)	(751,610)
	1,757,002	1,758,264
Movements in carrying amounts of patents and trademarks		
Balance at beginning of the year	1,758,264	1,818,504
Additions	-	-
Amortisation	(140,497)	(145,921)
Foreign exchange movements	139,235	85,681
Balance at end of the year	1,757,002	1,758,264

Intangible assets have finite useful lives. The Group has determined the useful life of the intangible assets at 20 years.

The remaining useful life is 13 years.

17. TRADE AND OTHER PAYABLES

	2020	2019
	\$	\$
Trade payables	839,727	685,223
Other payables	1,930,320	1,741,686
	2,770,047	2,426,909

18. LOANS AND BORROWINGS

	2020	2019
Current	217,893	266,804
Non-current	1,033,826	1,019,855
	1,251,719	1,286,659

The current loan amount includes a loan to fund general company insurance for \$42,129 at an interest rate of 5.39%.

The non-current loan amount includes loan facilities with Keiyo Bank Ltd at an interest rate ranging between 1.20% - 1.50%. Amounts payable within 12 months are included within current liabilities.

The loan facilities are secured by a fixed charge over the assets of Advangen Inc. and are fully drawn as at 30 June 2020.

19. LEASE LIABILITIES

	2020	2019
	\$	\$
Current	247,335	-
Non-current	462,411	-
	2,770,047	2,426,909
Interest expense related to lease liabilities	40,259	-

The Group has leases for office premises in Australia and Japan. Each lease is accounted for on the statement of financial position as a right-of-use asset and a lease liability. In the prior years these obligations were classified and reported as "lease commitments", off-balance sheet.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a termination fee.

In accordance with individual lease contracts, the Group must keep these properties in a good state of repair and return the properties in their original condition at the end of the lease. Furthermore, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 30 June 2020 were as follows:

	Minimum lease payment due				Total
	Within 1 year	1-2 years	2-3 years	3-4 years	
30 June 2020					
Lease payments	280,566	261,255	223,082	18,590	783,493
Finance charges	(33,231)	(23,516)	(13,734)	(3,266)	(73,747)
Net present values	247,335	237,739	209,348	15,324	709,746

20. PROVISIONS

	2020	2019
	\$	\$
Current		
Employee entitlements	248,716	214,549
Non-current		
Employee entitlements	12,347	6,740
Make-good provision	84,921	-
	97,268	6,740

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as current, since the Group does not have an unconditional right to defer settlement.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

21. ISSUED CAPITAL

(a) Ordinary shares

	Issue Price \$	2020 No.	2019 No.	2020 \$	2019 \$
At the beginning of the year		84,009,475	56,912,357	47,765,837	38,014,078
Shares issued – September 2018	0.38		26,381,589		10,025,000
Shares issue costs			-	(598,553)	(562,860)
Shares buyback and cancellation		(400,000)	(499,117)		(114,795)
Shares issued – October 2018	0.45		184,646		84,014
Shares issued – November 2018	0.37		630,000		234,400
Shares issued – April 2019	0.21		400,000		86,000
Shares issued – October 2019	0.20	4,400,000	-	880,000	-
Shares issued – November 2019	0.20	8,320,000	-	1,664,000	-
Shares issued – November 2019		50,000	-	-	-
Shares issued – November 2019	0.23	217,391	-	50,000	-
Shares issued – April 2020	0.22	22,727,273	-	5,000,000	-
Shares issued – May 2020	0.22	1,377,272	-	303,000	-
Shares issued – June 2020	0.22	4,545,455	-	1,000,000	-
At the end of the year		125,246,866	84,009,475	56,064,284	47,765,837

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have a limited amount of authorised capital and the fully paid ordinary shares have no par value.

For information relating to the Cellmid Limited and controlled entities employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 29 Share based payments.

For information relating to share options issued to key management personnel during the financial year, refer to the remuneration report.

21. ISSUED CAPITAL (CONTINUED)

	2020 No.	2019 No.
At the beginning of the year	1,350,000	1,650,000
Options lapsed – November 2016	(100,000)	-
Options lapsed – August 2018	-	(900,000)
Options issued – September 2018	-	1,000,000
Options issued – October 2018	-	200,000
Options lapsed – November 2018	-	(600,000)
Options issued – July 2019	4,250,000	-
Options issued – November 2019	3,200,000	-
Options issued – February 2020	454,400	-
Options issued – June 2020	1,800,000	-
At the end of the year	10,954,400	1,350,000

(b) Capital risk management

The Group's objectives when managing capital are 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.

The Group looks to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current parent entity's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

22. RESERVES

	2020 \$	2019 \$
Share-based payments reserve		
Balance at the beginning of the year	103,950	2,164,497
Share-based payments expense	474,254	92,360
Transfer to accumulated losses	-	(2,152,907)
Balance at the end of the year	578,204	103,950
General reserve		
Balance at the beginning of the year	-	18,258
Movement during the year	-	(18,258)
Balance at the end of the year	-	-
Foreign currency translation reserve*		
Balance at the beginning of the year	528,403	412,605
Foreign exchange movements	30,647	115,798
Balance at the end of the year	559,050	528,403
Total reserves	1,137,254	632,353

*Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

23. CASH FLOW INFORMATION

	2020	2019
	\$	\$
Reconciliation of loss after income tax to net cash used in operating activities		
Loss after income tax for the year	(4,907,296)	(5,909,557)
Adjustments for:		
- depreciation and amortisation	518,656	152,891
- share based payments	461,554	318,414
- bad and doubtful debts	163,835	2,025
- interest expense	71,257	-
- foreign exchange movements	(39,323)	141,177
Changes in operating assets and liabilities		
- decrease/(increase) in trade and other receivables	321,500	(1,255,325)
- (increase) / decrease in prepayments	(59,517)	10,290
- (increase) in inventories	(990,951)	(355,368)
- increase in trade and other payables	424	1,182,580
- increase in provisions	446,756	41,500
Net cash used in operating activities	(4,013,105)	(5,671,373)

24. EVENTS AFTER THE REPORTING PERIOD

The Group signed an exclusive distribution agreement with Tru Beauty Concepts, effective 1 August 2020, a premium salon distributor, for 11 states in the north east of the United States. The distribution agreement is expected to deliver increased US revenue from the second half of FY2021.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and is likely to continue to impact operations in FY2021, although it is not practicable to estimate the potential future impact, positive or negative, after the reporting date. The situation is dynamic, rapidly emerging and is dependent on potential future measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, ongoing travel restrictions and any economic stimulus that may be provided.

25. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

Parent entity

Cellmid Limited is the ultimate parent entity.

Subsidiaries

For details of disclosures relating to subsidiaries, refer to Note 27. Transactions and balances between subsidiaries and the parent have been eliminated on consolidation of the Group.

Key management personnel

For details of disclosures relating to key management personnel, refer to Note 7: "Key Management Personnel Disclosures".

Transactions with related parties

The remuneration for Ms Halasz is structured to reflect the management costs incurred by each wholly owned subsidiary of the Cellmid Group. Direct Capital Group Pty Ltd, a management consulting company related to Ms Halasz, was engaged and paid \$208,533 (2019: \$207,391) for management and consulting services rendered to the Cellmid Group throughout the year. No amount was outstanding to Direct Capital Group as at 30 June 2020 (2019: \$Nil).

26. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a number of financial risks as described below. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the Group. To date, the Group has not had the need to utilise derivative financial instruments such as foreign exchange contracts or interest rate swaps to manage any risk exposures identified.

The fair value of financial assets and liabilities equate to the carrying value.

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or region.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality.

Trade receivables and contract assets

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are primarily based on the payment profile for recent historic sales and the respective credit losses occurring during the corresponding period. The loss rates are also adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amounts outstanding. The group has identified specific industry trends and general economic performance for those countries in which the customers are domiciled to be the most relevant factors when estimating credit loss rates.

The historical rates reflect the type of customers for which balances remain outstanding (e.g. wholesalers), their specific circumstances and the current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. The Group has also considered gross domestic product (GDP) and unemployment rates of the countries in which the customers are domiciled to be the most relevant factors and according adjusts historical loss rates for expected changes in these factors.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

On that basis, the loss allowance at balance date was determined as follows for trade receivables:

30 June 2020	Not overdue	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0%	1%	20%	95%	
Gross carrying amount – trade receivables	1,734,626	79,995	6,291	230,334	2,051,246
Loss allowance	-	800	1,258	218,817	220,875

30 June 2019	Not overdue	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected credit loss rate	0%	1%	20%	95%	
Gross carrying amount – trade receivables	2,085,873	37,535	19,456	86,075	2,228,939
Loss allowance	-	413	3,891	81,771	86,075

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

b) Liquidity risk

The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The Group is not exposed to any material liquidity risk.

Financial liabilities consist of two items, trade and other payables for which the contractual maturity dates are within 6 months of the reporting date and loans and borrowings. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Group holds loans and borrowings with overseas banks which are subject to variable interest rates (refer Note 18 "Loans and Borrowings"). At reporting date have contractual maturity (including interest payments where applicable) dates are as follows:

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group, being Australian dollars.

The maximum exposure to foreign exchange risk is the fluctuation in exchange rates on the USD and JPY denominated bank accounts and also the profit and net assets of the Japanese and US subsidiary, Advangen Inc and Advangen LLC.

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At the end of the financial year, the effect on loss and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Current (within 12 mths) \$	Non-Current (1-5 yrs) \$
2020		
Trade and other payables	2,770,048	-
Loans and borrowings	217,893	1,033,826
	2,987,941	1,033,826
2019		
Trade and other payables	2,426,909	-
Loans and borrowings	266,804	1,019,855
	2,693,713	1,019,855

(c) Market risk

Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group, being Australian dollars.

The maximum exposure to foreign exchange risk is the fluctuation in exchange rates on the USD and JPY denominated bank accounts and also the profit and net assets of the Japanese and US subsidiary, Advangen Inc and Advangen LLC.

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of the financial year.

The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At the end of the financial year, the effect on loss and equity as a result of changes in the foreign exchange rate with all other variables remaining constant would be as follows:

	Loss \$	Equity \$
Year ended 30 June 2020		
+/- 5% in foreign exchange rates	+/-50,265	+/-12,595
Year ended 30 June 2019		
+/- 5% in foreign exchange rates	+/-53,964	+/-51,235

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk

The Group's main interest rate risk arises from loans from banks and other financial institutions.

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the end of the financial year. The sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

At the end of the financial year, the effect on loss and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Loss \$	Equity \$
Year ended 30 June 2020		
+/- 1% in foreign exchange rates	+/-12,517	+/-12,517
Year ended 30 June 2019		
+/- 1% in foreign exchange rates	+/-12,867	+/-12,867

27. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned subsidiaries in accordance with the accounting policy described in Note 1:

Name	Country of Incorporation	Percentage Owned (%) 2020	Percentage Owned (%) 2019
Subsidiaries of Cellmid Limited:			
Advangen Limited	Australia	100	100
Kinera Limited	Australia	100	100
Lynamid Limited	Australia	100	100
Subsidiaries of Advangen Limited:			
Advangen International Pty Ltd	Australia	100	100
Advangen LLC	USA	100	100
Advangen Incorporated	Japan	100	100
Evolis Japan Incorporated	Japan	100	100

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly owned subsidiaries, Advangen Limited, Kinera Limited, Lynamid Limited and Advangen International Pty Ltd. By entering into the deed, the wholly owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly owned companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

27. INTERESTS IN SUBSIDIARIES (CONTINUED)

The following are the aggregate totals, for each category, relieved under the deed.

	Parties to the Deed of Cross Guarantee 2020 \$	Parties to the Deed of Cross Guarantee 2019 \$
(A) STATEMENT OF FINANCIAL POSITION		
CURRENT ASSETS		
Cash and cash equivalents	5,965,667	1,956,127
Trade and other receivables	160,550	124,873
Inventories	992,592	708,952
Other assets	78,496	141,559
TOTAL CURRENT ASSETS	7,197,305	2,931,511
NON CURRENT ASSETS		
Plant and equipment	1,259,643	686,939
Intangible assets	1,440	1,440
Investment in subsidiaries	2,888,105	2,888,105
TOTAL NON CURRENT ASSETS	4,149,188	3,576,484
TOTAL ASSETS	11,346,493	6,507,995
CURRENT LIABILITIES		
Trade and other payables	1,912,674	1,573,162
Lease liabilities	205,018	-
Loans and borrowings	42,129	132,315
Provisions	248,716	214,549
TOTAL CURRENT LIABILITIES	2,408,537	1,920,026
NON CURRENT LIABILITIES		
Lease liabilities	383,362	-
Loans and borrowings	476,182	254,980
Provisions	62,346	6,740
TOTAL NON CURRENT LIABILITIES	921,890	261,720
TOTAL LIABILITIES	3,330,427	2,181,746
NET ASSETS	8,016,066	4,326,249
EQUITY		
Issued capital	56,064,284	47,765,837
Reserves	578,204	157,085
Accumulated losses	(48,626,422)	(43,596,673)
TOTAL EQUITY	8,016,066	4,326,249

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

27. INTERESTS IN SUBSIDIARIES (CONTINUED)

	Parties to the Deed of Cross Guarantee 2020 \$	Parties to the Deed of Cross Guarantee 2019 \$
(B) STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:		
Loss before income tax	(5,027,791)	(5,204,076)
Income tax expense	-	-
Loss after income tax	(5,027,791)	(5,204,076)
Loss attributable to members of the parent entity	(5,027,791)	(5,204,076)
(C) ACCUMULATED LOSSES:		
Accumulated Losses at the beginning of the year	(43,596,673)	(38,392,597)
Adjustment to Accumulated Losses (AASB 16)	(1,958)	-
Loss after income tax	(5,027,791)	(5,204,076)
Accumulated Losses at the end of the year	(48,626,422)	(43,596,673)

28. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The amounts recorded in legal fees and claim and trade and other payables include amounts in relation to the concluded legal dispute that has been underway since 2016 in the NSW Supreme Court between a wholly owned subsidiary Advangen International Pty Ltd and Ikon Communications (Ikon). Originally, the Court ruled that Ikon is entitled to their claim of \$939,055 plus interest and costs. The Group fully paid Ikon's claim with interest in December 2018 and accrued any potential liability to cover any future obligations in relation to legal costs. In August 2020 a cost assessment was completed by the Court and the costs of \$1,406,982 has been fully provided for as at 30 June 2020.

Guarantees

The Group has given bank guarantees as at 30 June 2020 of \$134,290 (2019: \$129,560) relating to the lease of commercial office space. For information about guarantees given by entities within the Group, including information on the parent entity, please refer to note 30.

On 30 June 2016, Cellmid Limited entered into a deed of cross guarantee to support the liabilities and obligations of four of its wholly owned subsidiaries, Advangen Limited, Advangen International Pty Ltd, Kinera Limited and Lyramid Limited. By entering into the deed, the wholly owned unlisted public entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

29. SHARE-BASED PAYMENTS

The Cellmid Limited and Controlled Entities Employee Incentive Plan is designed as an incentive for eligible employees of the Group. Under the Plan, participants are granted options which only vest if certain conditions are met.

29. SHARE-BASED PAYMENTS (CONTINUED)

A summary of the Company options granted under the Plan and those issued to external vendors to settle liabilities for services rendered throughout the year is summarised as follows:

Expiry Date	Weighted Average Exercise price	Balance at start of the year	Granted	Exercised	Expired	Balance at end of the year	Vested at end of the year
July 2020	0.60	50,000	-	-	-	50,000	50,000
September 2019	0.60	100,000	-	-	(100,000)	-	100,000
September 2021	0.80	1,000,000	-	-	-	1,000,000	1,000,000
October 2021	0.80	200,000	-	-	-	200,000	200,000
May 2022	0.30	-	1,000,000	-	-	1,000,000	1,000,000
February 2023	0.50	-	254,400	-	-	254,400	254,400
July 2024	0.23	-	4,250,000	-	-	4,250,000	2,000,000
November 2024	0.24	-	3,200,000	-	-	3,200,000	-
February 2025	0.20	-	200,000	-	-	200,000	-
March 2025	0.27	-	500,000	-	-	500,000	-
March 2025	0.23	-	300,000	-	-	300,000	-
		1,350,000	9,704,400	-	(100,000)	10,954,400	1,250,000

The weighted average exercise price of options outstanding at the end of the financial year was \$0.31 (2019: \$0.78). The weighted average remaining contractual life of the options outstanding at the end of the financial year was 3.7 years (2019: 0.33 years).

There were no other options were on issue.

30. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent, Cellmid Limited, and has been prepared on the same basis as the consolidated financial statements. Investments in subsidiaries and intercompany loans are accounted for at cost in the financial statements of the parent entity.

	2020 \$	2019 \$
Statement of Financial Position		
ASSETS		
Current assets	5,840,717	2,055,817
Non current assets	5,641,418	4,730,419
Total Assets	11,482,135	6,786,236
LIABILITIES		
Current liabilities	740,510	626,402
Non current liabilities	446,691	302,557
Total Liabilities	1,187,201	928,959
NET ASSETS	10,294,934	5,857,277
EQUITY		
Issued capital	56,064,284	47,765,837
Accumulated losses	(46,347,554)	(42,012,510)
Share based payments reserve	578,204	103,950
Total Equity	10,294,934	5,857,277
Statement of Profit or Loss and Other Comprehensive Income		
Loss of the parent entity	4,397,352	4,015,232
Total comprehensive income	4,397,352	4,015,232

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 65, are in accordance with the Corporations Act 2001 and:
 - i. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards; and
 - ii. give a true and fair view of the financial position as at 30 June 2020 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

The company and its four Australian wholly owned subsidiaries, Advangen Limited, Kinera Limited, Lyramid Limited and Advangen International Pty Limited, have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the deed.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 295 (5) of the Corporations Act 2001.



Dr David King
Director

Dated this 27th day of August 2020

Auditor's Independence Declaration

To the Directors of Cellmid Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Cellmid Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 27 August 2020

Independent Auditor's Report

To the Members of Cellmid Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Cellmid 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, 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:

- giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 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.

Key audit matter	How our audit addressed the key audit matter
<p>Going concern (Note 1)</p> <p>The Group incurred a loss after income of \$4,907,296 and had net operating cash outflows of \$4,013,105.</p> <p>The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections which are dependent upon growing revenue in Advangen despite the impact of COVID-19 on sales and deriving cash from other sourced of revenue such as grant funding.</p> <p>If it had been concluded that it was inappropriate for the financial statements to be prepared on a going concern basis, the values of certain assets and liabilities as set out in the financial statements might have been significantly different.</p> <p>This area is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Reviewing management's cash flow forecast to assess whether current cash levels and forecast revenue can sustain operations for a period of at least 12 months from the proposed date of signing, in addition to assessing management's ability to reliably forecast; Assessing the Group's current level of income and expenditure against management's forecast for consistency of relationships and trends to the historical results and our understanding of the business, industry and economic conditions of the Group; Assessing the reasonableness of mitigating factors determined by management/the Directors; Assessing significant non-routine forecast cash inflows and outflows for feasibility, quantum and timing, and their impact on going concern and funding conditions; Performing sensitivity analysis on the forecast cash flows; Agreeing year end cash balances to bank statements to gain comfort around the opening balances used in the cash flow forecast; and Assessing the adequacy of the Group's related disclosures within the financial report.
<p>Inventory (Note 12)</p> <p>As at 30 June 2020, the Group held gross inventories of \$2,843,582 with a provision of \$234,223 for inventory obsolescence/slow moving and discontinued stock. Inventory consists of raw materials, finished goods, and diagnostic test kits.</p> <p>As the Group values inventory at the lower of cost and net realisable value, estimates are required to determine the recoverable amount. These estimates are based on the Group's projections of future sales volumes and prices.</p> <p>Given the level of judgement involved in calculating the provision, this was considered a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> Testing the mathematical accuracy and completeness of the provision calculation against the list of stock on hand; Evaluating whether the methodology applied to calculate the provision was reasonable and consistent with that applied in prior years; For a sample of inventory items comparing the latest sales price to their cost to check if items being sold below cost were being appropriately provided for; Reviewing potential slow-moving lines and assessing the adequacy of any related provisions, in addition to assessing the market potential and net realisable value of new inventory lines; Assessing post year-end sales to test whether there was significant movement in relation to line items that the Group had identified as slow-moving; and Assessing the adequacy of the Group's related disclosures within the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 have 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 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

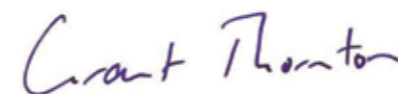
Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 27 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cellmid 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C F Farley
Partner – Audit & Assurance

Sydney, 27 August 2020

ADDITIONAL INFORMATION FOR LISTED ENTITIES

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 19 August 2020.

20 LARGEST SHAREHOLDERS

Fully paid shares

Shareholders	Balance	Percent
MR DENNIS KEITH ECK	12,497,152	9.98%
UBS NOMINEES PTY LTD	3,663,378	2.92%
MOORE FAMILY NOMINEE PTY LTD (MOORE FAMILY SUPER FUND A/C)	3,500,000	2.79%
MS JANET HEATHER CAMERON	2,958,618	2.36%
JASGO NOMINEES PTY LTD (JASGO FAMILY A/C)	2,331,578	1.86%
DIRECT CAPITAL GROUP PTY LTD	2,031,000	1.62%
LTL CAPITAL PTY LTD	1,850,000	1.48%
MR GREGORY GLENN WORTH (WORTH S/F A/C)	1,824,000	1.46%
EVANEU (NOMINEES) PTY LTD & RICNEU (NOMINEES) PTY LTD (EVAN RICKY NEUMANN A/C)	1,657,894	1.32%
MRS REBECCA SHALALA	1,643,720	1.31%
MR PETER HOWELLS	1,500,000	1.20%
SEISTEND (SUPER) PTY LTD (DW KING SUPER FUND A/C)	1,300,000	1.04%
CELL SIGNALS INC	1,300,000	1.04%
CITICORP NOMINEES PTY LIMITED	1,271,121	1.01%
DMX CAPITAL PARTNERS LIMITED	1,225,000	0.98%
MR KEVIN PETER HOOPER & MR RONALD LESLIE HOOPER (SATHNASH P/L SUPER FUND A/C)	1,100,000	0.88%
MRS MARGARET ANN RYAN & MR MICHEAL RODNEY RYAN	1,100,000	0.88%
P & M MAGUIRE SUPER PTY LTD (P & M MAGUIRE S/F A/C)	1,000,000	0.80%
MR TREVOR GOTTLIEB	914,974	0.73%
MR GERALD WILLIAM SIMMS	900,000	0.72%
MR DARIN ANJOUL & MRS TANIA ANJOUL (TAN GROUP SUPER FUND A/C)	850,000	0.68%
MR SCOTT JEFFREY RICHARD CHAPMAN	774,474	0.62%
Top 20	47,192,909	37.68%
Issued Share Capital	125,246,866	100.00%

SUBSTANTIAL HOLDERS

Mr Dennis Keith Eck is an individual substantial shareholder of Cellmid Limited shares who holds 12,497,152 shares or 9.98% of the voting rights.

HOLDING ANALYSIS

Holding Ranges	Holders	Total Units	%
1 – 1,000	84	29,100	0.02%
1,001 – 5,000	1,028	3,055,445	2.44%
5,001 – 10,000	458	3,665,510	2.93%
10,001 – 100,0000	864	28,699,576	22.91%
100,001 – 99,999,999	188	89,797,235	71.70%
Totals	2,622	125,246,866	100.00%

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No. of Holders	Voting Rights
Ordinary Shares	2,622	Yes
Unlisted Options	12	No

Subject to the ASX Listing Rules, the Company's Constitution and any special rights or restrictions attached to a share, at a meeting of shareholders:

- On a show of hands, each shareholder present (in person, by proxy, attorney or representative) has one vote; and
- On a poll, each shareholder present (in person, by proxy, attorney or representative) has;
 - One vote for each fully paid share they hold; and
 - A fraction of a vote for each partly paid share they hold.

UNMARKETABLE PARCELS OF SHARES

The number of shareholders with less than a marketable parcel of shares is 994, with a total 2,251,519 shares, amounting to 1.80% of issued capital.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No. of Holders	Total Units
Unlisted Options	12	10,869,400

HOLDING ANALYSIS UNQUOTED SECURITIES

Holding Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,0000	-	-	-
100,001 – 99,999,999	12	10,689,400	100.00%
Totals	12	10,689,400	100.00%

ADDITIONAL INFORMATION FOR LISTED ENTITIES CONTINUED

SUBSTANTIAL HOLDERS OF UNQUOTED SECURITIES

Substantial individual holders of unlisted options as at 19 August 2020 were:

- Direct Capital Group Pty Ltd (28.07%)
- Bluewave Biotechnology (23.39%)

CLASSES OF RESTRICTED SECURITIES

Class of Security / Restriction	End Date	Total Units
Ordinary Shares – Voluntary Escrow	13 Nov 2020	250,000
Ordinary Shares – Voluntary Escrow	9 Oct 2020	184,646
Ordinary Shares – Voluntary Escrow	19 June 2021	4,525,455

GENERAL

Cellmid is not currently conducting an on-market buy-back.

CORPORATE DIRECTORY

COMPANY DETAILS

The registered office of the company is:

Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

The principal places of business are:

Cellmid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen International Pty Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen Incorporated / Evolis Japan Incorporated
Chiba Industry Advancement Centre
Tokatsu Techno Plaza
5-4-6 Kashiwanoha
Kashiwa
Chiba 277-082 Japan

Kinera Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Lynamid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000

Advangen LLC
1601 Elm Street, Floor 33
Dallas
Dallas County
Texas 75207

BOARD OF DIRECTORS

Non-Executive Chairman

Dr David King

Managing Director and Chief Executive Officer

Ms Maria Halasz

Non-Executive Directors

Mr Bruce Gordon
Dr Fintan Walton
Dr Martin Cross
Mr Dennis Eck

Company Secretary

Mr Lee Tamplin

AUDITORS, SOLICITORS AND PATENT ATTORNEY

Auditors

Grant Thornton Audit Pty Ltd
17/383 Kent Street
Sydney NSW 2000, Australia

Solicitors

Piper Alderman
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000, Australia

Patent Attorney

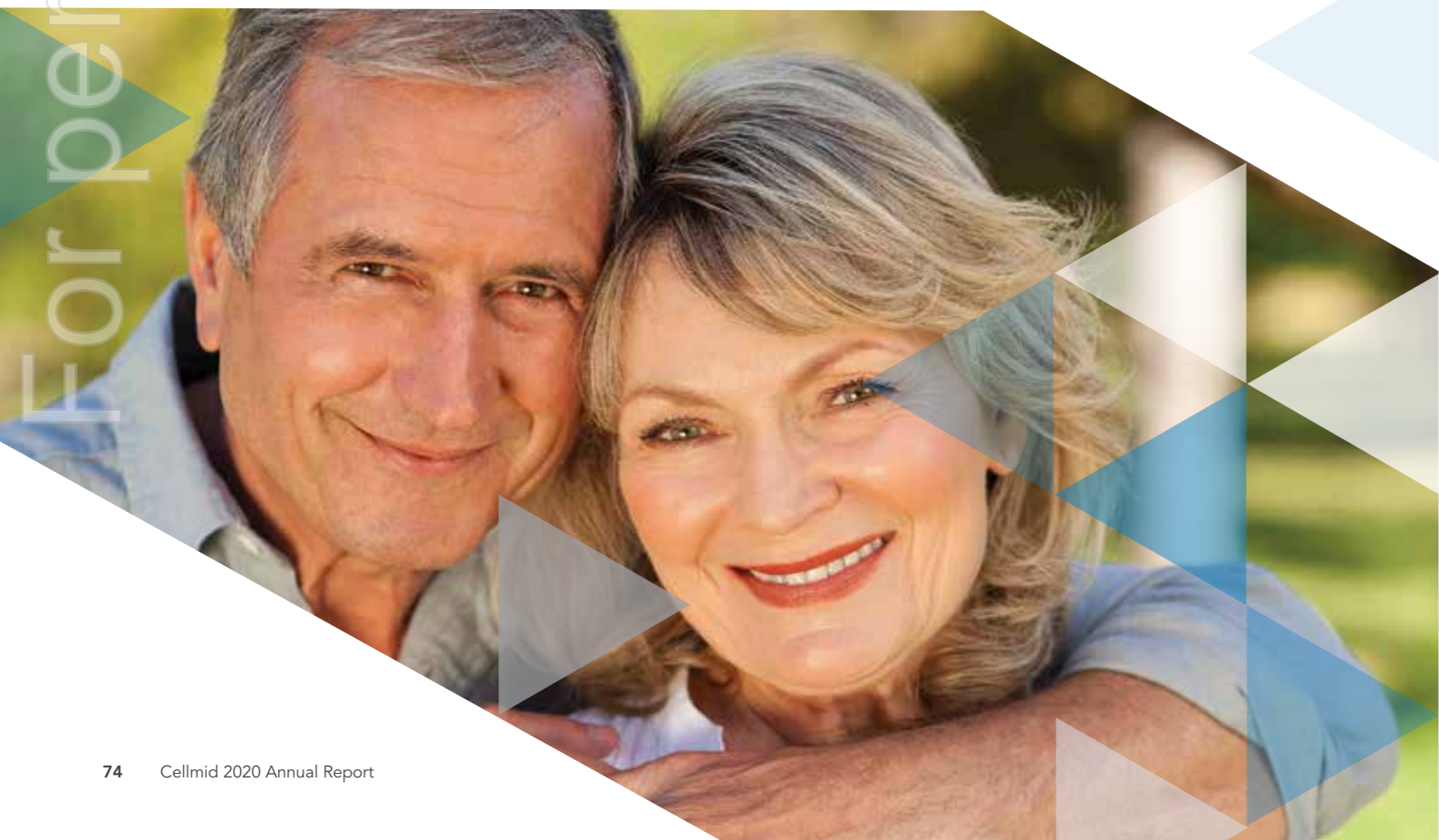
FB Rice & Co
Level 23, 44 Market Street
Sydney NSW 2000 Australia

SHARE REGISTRY

Automatic Pty Limited

Level 5, 126 Phillip Street
Sydney NSW 2000, Australia

For personal use only



For personal use only

Cellmid Limited
Suite 204, Level 2
55 Clarence Street
Sydney NSW 2000
ABN 69 111 304 119

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