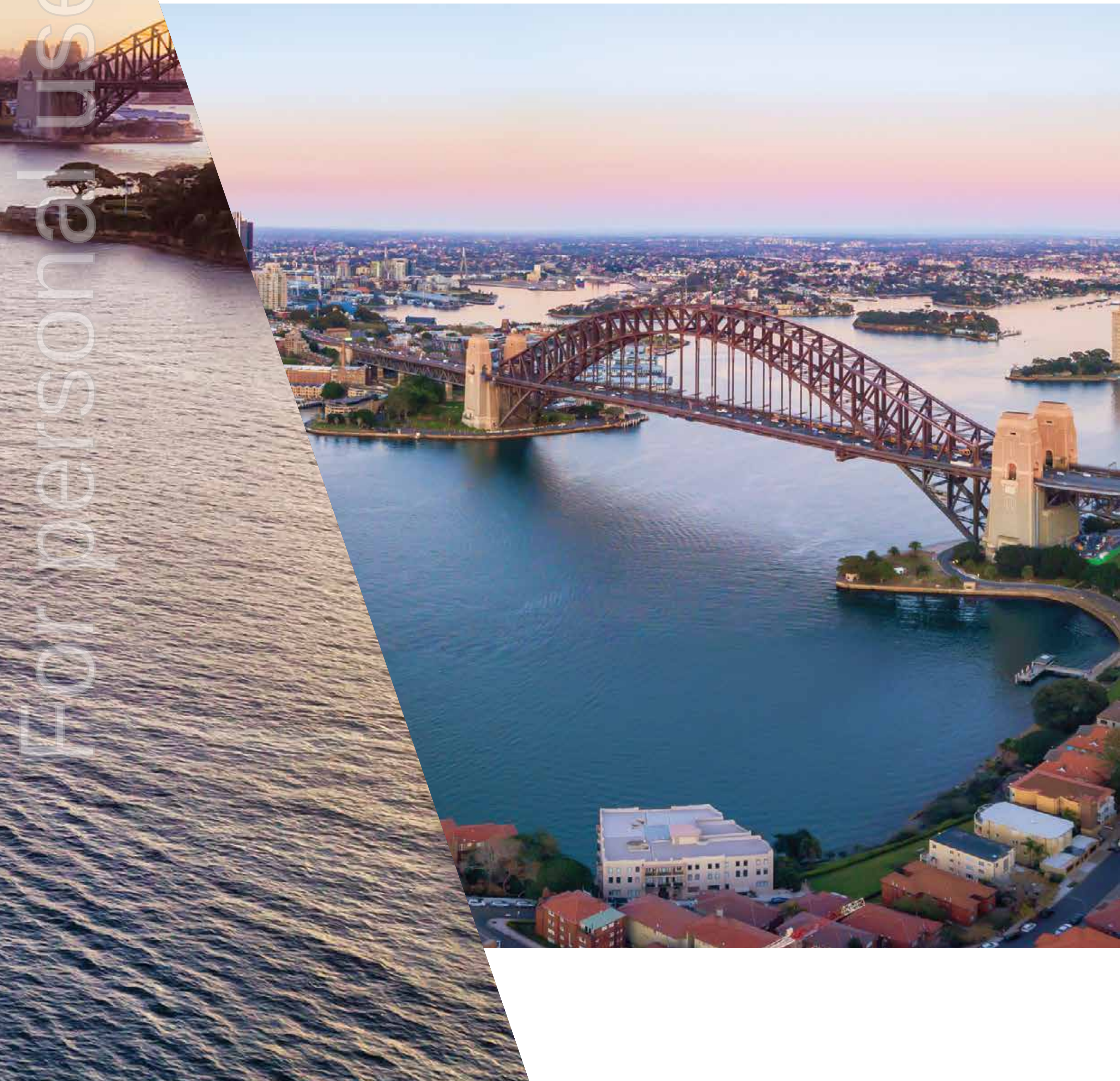
MEDILAND
Pharm Limited

# 2021
# ANNUAL REPORT

**MEDILAND PHARM LIMITED**

ABN 83 628 420 824



# Contents



# AGM

The Annual General Meeting (AGM) of Mediland Pharm Limited will be held on 30 November 2021. Further details can be found in the Notice of Meeting and on the Mediland Pharm website.

# Chairman's Report

On behalf of the Board of Directors (the "Board") of Mediland Pharm Limited (the "Company" or "Mediland Pharm"), I present our Annual Report for the year ended 30 June 2021.





**Dr. Peter French**
Chairman

## Dear Shareholders,

The Company's Preliminary Final Report (Appendix 4E) for the year ended 30 June 2021 was lodged with the Australian Securities Exchange (ASX) on 31 August 2021 and are available to be downloaded from the Company's website or the ASX website.

Mediland's operations continued to experience a significant disruption throughout the year as a result of the COVID-19 pandemic, with the Group focusing on preserving its cash position and controlling its costs.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $6,280,415 (30 June 2020: $5,109,041). The loss after tax was attributable to the following:

- There was no income from retail stores since suspension of retail trading in February 2020. With continued suspended retail operations for most of the 2020 calendar year, all Australian retail stores entered into external administration in December 2020.
- After seeking non-associated shareholders' approval in April 2021, the Company purchased the Hamilton Hotel in New Zealand. The revenue reported in the 4E included two months of trading from hotel operations since its date of acquisition with an average occupancy rate of 78%. Whilst New Zealand has managed the Covid-19 pandemic well, the recent lockdown in Auckland indicates a risk to hotel operations in New Zealand in the short term.
- Impairment expense increased from $nil to $3.4m. The decrease was mainly attributable to closure of all retail stores since the announcement of the pandemic.
- A further $3.1m was written off as loans forgiven due to loss of control of the subsidiaries.

### Outlook

The economic impact of health restrictions to contain the spread of COVID-19 on a number of market sectors continues. However, with vaccines being rolled out at a growing rate in Australia and New Zealand, we remain optimistic that the Company is in a good position to grow when the lockdowns and border closures end.

The Company has implemented rigorous cost control measures and has stabilised cashflows used in operations by minimising fixed operating costs. During the financial year, the Company terminated most of our lease contracts, resulting in a substantial decrease in on-going occupancy and operational expenses.

Management remains open to once again playing an active role in the "health and well-being" sector in the inbound Chinese tourist retail market as and when the tourism industry returns to some form of normality.

In the meantime, the successful Hamilton Hotel acquisition demonstrates the Company's ability to pivot to an alternative hospitality sector.

We remain confident, given the quality of the Company's experience in retail and hospitality, and our current assets, that revenues will recover quickly once vaccination levels increase to required levels and we see an end to COVID restrictions.

### Annual General Meeting and Annual Report

The 2021 Annual General Meeting will be conducted on 30 November 2021.

I would like to thank my fellow directors and our management team for their commitment and contributions during another very challenging year. I also thank you, our shareholders, for your support and assure you that we are determined to weather the current storm and, when conditions allow, continue to pursue our growth strategy in retail and hospitality.

**Dr Peter French**
**Chairman**

# Managing Director's Report

The last 12 months have certainly seen unprecedented, unstable, and challenging times around the globe, as such Australia and New Zealand have not been immune, caused by the devastating flow-on effects from the COVID-19 pandemic.

**Yeshween Mudaliar**
Managing Director

The Board and management quickly acted to preserve our cash position and control ongoing costs at the beginning of the pandemic. As with many businesses across the globe, we too felt the pandemic's significant impact on our business. We continue to do so given that international travel to and from Australia and New Zealand remains non-existent. In particular, we acutely feel the loss of Chinese tourism. With no real certainty as to when international border restrictions will be lifted and the continued outbreak of the virus causing recurring lockdowns domestically, the decision was made to place our Australian retail subsidiaries into external administration as these stores had significant lease obligations, which were negatively affecting our cashflows. The retail stores temporarily suspended its operations since February 2020 and remained suspended until December 2020 when entering administration. This decision was not made easily given these retail operations had been operating since 2002.

In addition to cost control, we revisited our business model to ensure that we operate a sustainable and diversified business in order to generate revenue. With any crisis, opportunities arise as such we focused our need to find new revenue sources. With experienced key management executives and board members in the hospitality sector, we were able to successfully acquire the Heartland Ambassador Hotel Hamilton in New Zealand in April 2021. The Hamilton Hotel transaction was approved by the majority of the non-associated shareholders in a General Meeting held on 29 April 2021.

Both the Board and management remain open to once again playing an active role in the 'health and well-being' sector within the inbound Chinese traveller market as and when these travellers return to our shores. In the meantime, we will continue to look for opportunities to grow revenues in other sectors, in particular the hospitality sector.

We thank and are truly appreciative of our stakeholders in particular our shareholders for their ongoing support. We are committed to striving towards expansion and diversification of our Company's revenue streams beyond retail in order to continue to provide shareholder confidence and to ensure that Mediland Pharm Limited can emerge from the pandemic in a stronger position.

**Yeshween Mudaliar**
Managing Director

**Forward looking statements**

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

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

# Directors' Report

for the year ended 30 June 2021





The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'the Group') consisting of Mediland Pharm Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

## Directors

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

| | |
|---|---|
| Jhon Shen | Executive Director |
| Yeshween Mudaliar | Managing Director |
| Dr Peter French | Non-executive Director and Chairman |
| Tracey Cray | Non-executive Director |
| Theo Renard | Non-executive Director |
| Leo Cui | Non-executive Director |

## Principal activities

The Group operates a retail business focused on serving inbound Chinese tourists, who typically visited the outlets during an organised group tour. Refer Significant Changes in the state of Affairs below for significant changes in the Group's operations during the financial year.

The Group acquired the Hamilton Hotel in New Zealand, which contributed two months of trading in the current year results. This initiative has resulted in an alternative source of revenue other than retail operations. Hamilton Hotel acquisition is one of several initiatives being contemplated to diversify revenue and is not considered to be the main undertaking of the Company at the reporting date.

Management is of the view that, despite termination of leases and suspension of current retail trading, the retail operations are not discontinued operations under the financial reporting standards. The temporary suspension of retail business operations and entering the retail subsidiaries into voluntary administration is a means of restructuring administrative arrangements to prevent draining of cash reserves in the Group.

Management wishes to return to retail tourism when the post-pandemic environment supports that strategy.

## Review of operations

Mediland's operations continued with significant disruption as a result of COVID-19 pandemic, with the Group focusing on preserving its cash position and controlling its costs.

The loss for the Group after providing for income tax amounted to $6,280,415 (30 June 2020: loss of $5,109,041). One-off costs incurred during the year include share-based payment expenses of $552,311, net loss on the lost of control of subsidiaries amounting of $1,290,244, impairment expenses of $3,461,417 and inventory write off of $392,397. One-off income includes gain on loss on lease termination amounting of $378,814 and gain on bargain purchase of $365,237.

The loss after tax was attributable to the following:

- As indicated in previous period reports, the Company underwent a substantial decrease in revenue from ordinary activities as the full impact of the Covid-19 pandemic was felt. There had been nil income from retail stores since suspension of trading in February 2020. With continued suspended retail operations for most of 2020 calendar year, these retail stores were entered into voluntary administration in December 2020.
- After seeking non-associated shareholders' approval in April 2021, the Company purchased the Hamilton Hotel in New Zealand. The revenue includes two months of trading from hotel operations since its date of acquisition with average occupancy rate of 78%.
- Impairment expense increased from $nil to $3.4m. The increase was mainly attributable to closure of all retail stores since the outbreak of the pandemic and the associated impairment of assets.
- Further $3.1m was written off as loans forgiven due to loss of control of the subsidiaries.

The Company has implemented rigorous cost control measures and has stabilised cashflows used in operations by minimising fixed operating costs. During the financial year, the Company terminated four of six lease contracts resulting in a substantial decrease in on-going occupancy and operational expenses.

Management remains open to once again playing an active role in the "health and well-being" sector in the inbound Chinese tourist retail market as and when the tourism industry returns to some form of normality.

## Dividends

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

## Significant changes in the state of affairs

Covid-19 was declared a global pandemic in March 2020. With no inbound international travel in particular from China, the Company ceased trading in its physical retail store operations in February 2020.

As announced to the market on 11 December 2020, three of the Company's Australian retail stores, which were trading as individual subsidiary companies in the Group, entered into voluntary administration. Additionally, the online retail business struggled to compete with established competitors, which was exacerbated by increased political tension between China and Australia as it impacted sales of Australian sourced and manufactured products sold by these entities.

# Directors' Report (continued)

for the year ended 30 June 2021



The decision to place these entities into external administration was purely driven by the substantial impact of COVID-19 pandemic on the Group's retail stores as there had been no activity in these stores since February 2020.

The Company acquired the Hamilton Hotel in New Zealand to diversify revenue and stabilise cash. The transaction was approved by majority of non-associated shareholders in April 2021.

Timeline of entry and exits of the subsidiaries in the Group are outlined below:

1. Since 11 December 2020, the Group no longer has control over the below entities:
   - Darling Harbour Pty Ltd (Sydney store) on 11 December 2020;
   - St Wells Pty Ltd (Melbourne store) on 11 December 2020; and
   - Surfers Paradise Pty Ltd (Gold Coast store) on 11 December 2020.
2. Enti-financial Pty Ltd entered into voluntary administration on 12 May 2021.
3. Share We Do ceased operation from 23 June 2021, the company has completed its de-registeration.
4. On 30 April 2021, Mediland Pharm Limited acquired 100% of the shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand.

## Matters subsequent to the end of the financial year

In July 2021, the lease of Mediland New Zealand Pty Ltd was terminated.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Likely developments and expected results of operations

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

## Environmental regulation

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

## Information on Directors

**Jhon Shen**

**Executive Director**

Master of Finance and Accounting from the University of New South Wales

**Experience and expertise:**

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

**Other current directorships:**

None

**Former directorships (last 3 years):**

None

**Interests in shares:**

250,000,000

**Yeshween Mudaliar**

**Managing Director**

Diploma of Travel and Tourism from Sir George Seymour National College in New Zealand, A certificate in Senior Development Executive Program and Hotel Real Estate Investments and Asset Management from Cornell University.

**Experience and expertise:**

Mr Mudaliar is a professional hospitality executive with 16 years industry experience. Over the past 16 years, he has successfully fulfilled senior executive roles with leading hotel chains including Marriott, Accor and IHG, in both managed and franchise operational models. With outstanding excellence in sales and business development focusing on increasing revenue and profitability, he naturally progressed his career to an asset management and business acquisition specialist. His vast network of relationships across a number of industries has supported his expertise to increase his clients' business portfolios with highly profitable acquisitions, mergers and ensuring corporate compliance.

**Other current directorships:**

None

**Former directorships (last 3 years):**

None

**Interests in shares:**

Nil

**Dr Peter French**

**Non-executive director and Chairman**

BSc (Sydney University);
MSc (Sydney University),
PhD (Deakin University),
MBA (Deakin University)

**Experience and expertise:**

Dr Peter French is an experienced senior executive and director in public and private companies primarily in the biotechnology and healthcare sector. His roles have included:

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

**Other current directorships:**

Chairman of PENAO Pty Limited

**Former directorships (last 3 years):**

Executive director of Bioxyne Limited (ASX:BXN) from 2016 – 2018

**Interests in shares:**

Nil

# Directors’ Report (continued)

for the year ended 30 June 2021

**Theo Renard**

**Non-executive Director**

**Experience and expertise:**

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

**Other current directorships:**

None

**Former directorships (last 3 years):**

1) Director, CFO and Company Secretary of Realm Resources Limited (ASX:RRP) from 2008 – 2018
2) Vice president finance of Atrum Coal NL (ASX:ATU) from 2014 – 2017

**Interests in shares:**

Nil

**Tracey Cray**

**Non-executive Director**

Qualifications in Human Resources and Workplace Health and Safety

**Experience and expertise:**

Mrs Cray is an Afflliate of Australian Institute of Directos and a strategic business professional with over 16 years experience in the hospitality and tourism industry. Working with leading hotel brands including Choice Hotels, IHG, Mantra Group and Accor,including franchise operating models.

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

**Other current directorships:**

None

**Former directorships (last 3 years):**

None

**Interests in shares:**

Nil

**Leo Cui**

**Non-executive Director**

**Experience and expertise:**

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

**Other current directorships:**

None

**Former directorships (last 3 years):**

None

**Interests in shares:**

61,000



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

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

## Company secretary

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

## Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

| | Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|---|---|---|---|---|---|---|
| | **Attended** | **Held** | **Attended** | **Held** | **Attended** | **Held** |
| Jhon Shen | 5 | 9 | 1 | 2 | – | * |
| Yeshween Mudaliar | 8 | 9 | – | * | – | * |
| Tracey Cray | 8 | 9 | 2 | 2 | 4 | 4 |
| Dr Peter French | 9 | 9 | – | * | 3 | 4 |
| Theo Renard | 9 | 9 | 2 | 2 | 4 | 4 |
| Leo Cui | 9 | 9 | 2 | 2 | 3 | 4 |

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

*= Not a member of the relevant committee

## Remuneration report (audited)

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

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

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

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

### Principles used to determine the nature and amount of remuneration

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

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

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

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

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

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

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

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

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

### Non-executive directors remuneration

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

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

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

### Executive remuneration

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

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- long-term performance incentives
- share-based payments

- other remuneration such as superannuation and long service leave

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

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

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

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration & Nominations Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

### Group performance and link to remuneration

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

### Voting of shareholders at last year's annual general meeting

At the Company's 2020 AGM 99.89% "yes" votes were cast in favour on the poll for the resolution on its remuneration report for the 2020 financial year.

## Details of remuneration

### Amounts of remuneration

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

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

### Non-executive directors

- Dr Peter French
- Tracey Cray
- Theo Renard
- Leo Cui

### Executive directors

- Jhon Shen
- Yeshween Mudaliar

### Other executives

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

| | Fixed remuneration | | | Long term benefits | | Variable remuneration | |
|---|---|---|---|---|---|---|---|
| **2021** | **Cash, salary and fees $** | **Non-monetary $** | **Super-annuation $** | **Long service leave $** | **Sub-total $** | **Share based payments $** | **Total $** |
| *Non-Executive Directors:* | | | | | | | |
| Dr Peter French | 14,650 | – | 1,392 | – | **16,042** | 4,769 | **20,811** |
| Tracey Cray | 10,464 | – | 994 | – | **11,458** | 4,769 | **16,227** |
| Theo Renard | 10,464 | – | 994 | – | **11,458** | 5,908 | **17,366** |
| Leo Cui | 6,279 | – | 596 | – | **6,875** | – | **6,875** |
| *Executive Directors:* | | | | | | | |
| Jhon Shen | – | – | – | – | **–** | – | **–** |
| Yeshween Mudaliar | 38,462 | – | 3,654 | – | **42,116** | 124,852 | **166,968** |
| *Other Key Management Personnel:* | | | | | | | |
| Jessie Tao | 55,000 | – | – | – | **55,000** | 24,970 | **79,970** |
| Indira Naidu | 28,800 | – | 2,736 | – | **31,536** | – | **31,536** |
| | **164,119** | **–** | **10,366** | **–** | **174,485** | **165,268** | **339,753** |

# Directors' Report (continued)

for the year ended 30 June 2021

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

### Service agreements

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

**Jhon Shen**

**Executive Director**

**Agreement commenced:**

15 October 2018

**Term of agreement:**

Not fixed

**Details:**

Base salary for the year ended 30 June 2021 of $180,000 plus superannuation. Under the current COVID situation, Jhon agreed to reduce his gross salary by 100% for the whole financial year. Pursuant to Mr Shen's executive agreement, Mr Shen may resign from his position by giving 6 months' notice in writing.

**Yeshween Mudaliar**

**Managing Director**

**Agreement commenced:**

15 October 2018

**Term of agreement:**

Not fixed

**Details:**

Base salary for the year ended 30 June 2021 of $100,000 plus superannuation. Under the current COVID situation, Yeshween has agreed a temporary salary reduce for the period from 1 July 2020 to 28 Feb 2021. These amounts have been accrued and will be paid once the Group's overall financial performance improves. Pursuant to Mr Mudaliar's executive agreement, Mr Mudaliar may resign from his position by giving 6 months' notice in writing.

| | |
|---|---|
| **Tracey Cray**<br><br>**Non-executive Director** | **Agreement commenced:**<br>1 November 2018<br><br>**Term of agreement:**<br>Not fixed<br><br>**Details:**<br>Base salary for the year ended 30 June 2021 of $50,000 inclusive of superannuation. Under the current COVID situation, Tracey agreed to reduce her gross salary by 75% for the whole financial year. Pursuant to Tracey's appointment letter, Ms Cray is also offered $30,000 as NED rights, to be issued if exercised at each anniversary date within the three years from date of commencement. |
| **Dr Peter French**<br><br>**Non-executive Director** | **Agreement commenced:**<br>1 November 2018<br><br>**Term of agreement:**<br>Not fixed<br><br>**Details:**<br>Base salary for the year ended 30 June 2021 of $70,000 inclusive of superannuation. Under the current COVID situation, Peter agreed to reduce his gross salary by 75% for the whole financial year. Pursuant to Peter's appointment letter, he is also offered $30,000 as NED rights, to be issued if exercised at each anniversary date within the three years from date of commencement. |
| **Theo Renard**<br><br>**Non-executive Director** | **Agreement commenced:**<br>24 January 2019<br><br>**Term of agreement:**<br>Not fixed<br><br>**Details:**<br>Base salary for the year ended 30 June 2021 of $50,000 inclusive of superannuation. Under the current COVID situation, Theo agreed to reduce his gross salary by 75% for the whole financial year. Pursuant to Theo's appointment letter, he is also offered $30,000 as NED rights, to be issued if exercised at each anniversary date within the three years from date of commencement. |
| **Leo Cui**<br><br>**Non-executive Director** | **Agreement commenced:**<br>28 November 2019<br><br>**Term of agreement:**<br>Not fixed<br><br>**Details:**<br>Base salary for the year ended 30 June 2021 of $30,000 inclusive of superannation. Under the current COVID situation, Leo has agreed to reduce his gross salary by 75% for the whole financial year. |

| | |
|---|---|
| **Jessie Tao**<br>**Chief Financial Officer** | **Agreement commenced:**<br>15 October 2018<br>**Term of agreement:**<br>Not fixed<br>**Details:**<br>For the period ended 30 June 2021, Ms Tao received a salary of $55,000. (this is discounted from $70,000 of the gross salary as a result of the current COVID situation). Pursuant to Ms Tao's executive agreement, Ms Tao may resign from her position by giving 6 months' notice in writing. |
| **Indira Naidu**<br>**Company Secretary** | **Agreement commenced:**<br>6 November 2018<br>**Term of agreement:**<br>Not fixed<br>**Details:**<br>For the period ended 30 June 2021, Ms Naidu received a salary of $ 31,536. Pursuant to Ms Indira's executive agreement, Ms Indira may resign from her position by giving 6 months' notice in writing. |

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

## Share-based compensation

### Rights to deferred shares

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

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

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

| Vesting Date | Percentage of the Performance Rights to be vested |
|---|---:|
| 9 January 2020 | 33.33% |
| 9 January 2021 | 33.33% |
| 9 January 2022 | 33.33% |

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

An employee incentive plan ("EIP") has been established by the Group at the initial public offering, whereby the Group may, at the discretion of the Remuneration & Nominations Committee, grant performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

Based on the EIP, the Company has also established a Long Term Incentive Plan (LTIP) to encourage the high performance of its key management personnel and senior management personnel in order to promote the long-term success of the Company. The LTIP is an equity-based plan which is delivered in the form of Performance Rights. These Performance Rights have a three year vesting period and will vest at the end of its period. On 9 July 2020, the first tranche of Performance Rights lapsed and was forfeited. The Board in applying its absolute discretion in relation to the 2nd and 3rd tranches of the Performance Rights vesting on 9 January 2021 and 9 January 2022 (expiring six months from each anniversary dates noted), terminated the LTIP on 25 September 2020. The LTIP was originally issued during the initial public offering . The cancellation of this LTIP during the year resulted in an acceleration of the expenditures of $552,311 (FY2020: $990,560).

Details of rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

| | Rights to deferred shares | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at start of the year | | | Vested | | Forfeited | | |
| Name | Year Granted | Number | Granted during the year | Number | % | Number | % | Balance at end of year (unvested) |
| Yeshween Mudaliar | 09.01.2019 | 1,666,667 | – | – | – | 1,666,667 | 66.66 | – |
| Jessie Tao | 09.01.2019 | 333,333 | – | – | – | 333,333 | 66.66 | – |

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

**Shareholding**

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

| Name | Balance at the start of the year | Additions | Disposals/ other | Balance at the end of the year |
|---|---|---|---|---|
| **Ordinary shares** | | | | |
| Jhon Shen | 250,000,000 | – | – | 250,000,000 |
| Leo Cui | 61,000 | – | – | 61,000 |
| | 250,061,000 | – | – | 250,061,000 |

**Other transactions with key management personnel:**

On 30 April 2021, Mediland Pharm Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, this was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. Refer to Note 28.

The wife of Mr Jhon Shen, is a director of Aust & NZ Group Pty Ltd. The Group has the following transactions during the year with this entitiy:

| | 2021 $ | 2020 $ |
|---|---|---|
| *Payment for goods and services:* | | |
| Management fee paid to Aust & NZ Group Pty Ltd | – | 433,234 |

**This concludes the remuneration report, which has been audited.**

# Directors' Report (continued)

for the year ended 30 June 2021

## Shares issued on the exercise of options

There were no ordinary shares of Mediland Pharm Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

## Indemnity and insurance of officers

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

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

## Indemnity and insurance of auditor

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

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

## Proceedings on behalf of the consolidated entity

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

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

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

## Rounding of amounts

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

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

## Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001. The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Limited on 8 July 2021.

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

On behalf of the directors

**Dr Peter French**
**Chairman**

**Sydney, NSW**
**20 September 2021**

# Auditor’s Independence Declaration

for the year ended 30 June 2021



BDO

Tel: +61 2 9251 4100
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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

**DECLARATION OF INDEPENDENCE BY CLAYTON EVELEIGH TO THE DIRECTORS OF MEDILAND PHARM LIMITED**

As lead auditor of Mediland Pharm Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Clayton Eveleigh
Director

**BDO Audit Pty Ltd**

Sydney, 20 September 2021

# Financial Statements

for the year ended 30 June 2021

## Contents



## General information

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

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

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

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

The financial statements were authorised for issue by the directors, on 20 September 2021. The directors have the power to amend and reissue the financial statements.

# Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2021





| | Note | Consolidated 2021 $ | 2020 $ |
|---|---|---|---|
| Revenue | 4 | 1,157,489 | 23,298,447 |
| Cost of sales | | (541,369) | (5,506,738) |
| **Gross profit** | | **616,120** | **17,791,709** |
| Other income | 4 | 139,627 | 109,722 |
| Government grant | 4 | 629,753 | 288,984 |
| Gain on loss of control on subsidiaries | 25 | 1,844,206 | – |
| Gain on lease termination | 29 | 378,814 | – |
| Gain on bargain purchase | 28 | 365,237 | – |
| Bad debt write-off | | (91,000) | – |
| Inventory written off | | (392,397) | (15,366,550) |
| Marketing expenses | | (18,501) | (437,675) |
| Occupancy expenses | | 70,767 | (3,439,141) |
| Administrative expenses | 5 | (2,102,682) | (2,697,129) |
| Employee benefit expenses | | (1,151,014) | (990,560) |
| Share-based payment expenses | 21 | (552,311) | (180,527) |
| Finance costs | 5 | (141,291) | – |
| Impairment expenses | 5 | (3,461,417) | – |
| Loan forgiveness on the loss of control of subsidiaries | 25 | (3,134,450) | – |
| **Loss before income tax expense** | | **(7,000,539)** | **(4,921,167)** |
| Income tax expense | 6 | 720,124 | 187,874 |
| **Loss after income tax expense for the year** | | **(6,280,415)** | **(5,109,041)** |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (19,175) | (72,723) |
| Other comprehensive income for the year, net of tax | | (19,175) | (72,723) |
| **Total comprehensive loss for the year** | | **(6,299,590)** | **(5,181,764)** |
| **Loss for the year attributable to:** | | | |
| Owners of Mediland Pharm Limited | | (6,264,290) | (5,181,764) |
| Non-controlling interests | | (16,125) | – |
| | | **(6,280,415)** | **(5,181,764)** |
| | | **Cents** | **Cents** |
| **Earnings** | | | |
| Basic earnings per share | 22 | (2.01) | (1.63) |
| Diluted earnings per share | 22 | (2.01) | (1.63) |

The above statement of 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 2021

| | Note | Consolidated 2021 $ | 2020 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 3,391,075 | 7,304,139 |
| Trade and other receivables | 8 | 377,148 | 925,029 |
| Prepayments | | 15,278 | – |
| Inventories | 9 | 81,097 | 1,411,204 |
| Current tax assets | | – | 373,842 |
| **Total current assets** | | **3,864,598** | **10,014,214** |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 5,723,691 | 3,031,398 |
| Right-of-use assets | 29 | – | 3,953,146 |
| Intangibles | 11 | 18,733 | 204,647 |
| Goodwill | 11 | – | 321,882 |
| Deferred tax assets | 6 | 178,812 | 1,014,350 |
| **Total non-current assets** | | **5,921,236** | **8,525,423** |
| **Total assets** | | **9,785,834** | **18,539,637** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 804,920 | 3,704,391 |
| Provisions | 13 | 61,384 | 50,854 |
| Customer deposit | 14 | – | 399,987 |
| Current tax liabilities | | 65,363 | – |
| Lease liabilities | 29 | 499,598 | 820,451 |
| Deferred consideration | 15 | 1,150,470 | – |
| **Total current liabilities** | | **2,581,735** | **4,975,683** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 6 | 268,013 | 1,398,224 |
| Lease liabilities | 29 | 403,371 | 3,391,058 |
| Deferred consideration | 15 | 992,525 | – |
| Borrowings | 16 | 2,512,797 | – |
| **Total non-current liabilities** | | **4,176,706** | **4,789,282** |
| **Total liabilities** | | **6,758,441** | **9,764,965** |
| **Net assets** | | **3,027,393** | **8,774,672** |
| **Equity** | | | |
| Issued capital | 17 | 11,898,945 | 11,898,945 |
| Reserves | 18 | (2,588) | 1,643,838 |
| (Accumulated losses) | | (8,852,839) | (4,768,111) |
| **Total equity attributable to members of the Group** | | 3,043,518 | 8,774,672 |
| Non-controlling interests | 20 | (16,125) | – |
| **Total equity** | | **3,027,393** | **8,774,672** |

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 2021



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

| Consolidated | Issued capital $ | Group restructure reserve $ | Foreign currency reserve $ | Share-based payments reserve $ | Retained Profits/ (Accumulated losses) $ | Total $ | Non-controlling Interest $ | Total equity $ |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **11,898,945** | **71,146** | **(54,559)** | **1,627,251** | **(4,768,111)** | **8,774,672** | **–** | **8,774,672** |
| Loss after income tax expense for the year | – | – | – | – | (6, 264,290) | (6, 264,290) | (16,125) | (6,280,415) |
| Other comprehensive income for the year, net of tax | – | – | (19,175) | – | – | (19.175) | – | (19,175) |
| **Total comprehensive income for the year** | **–** | **–** | **(19,175)** | **–** | **(6, 264,290)** | **(6,283,465)** | **(16,125)** | **(6,299,590)** |
| *Transactions with owners in their capacity as owners:* | | | | | | | | |
| Share-based payments (note 21) | – | – | – | 552,311 | – | 552,311 | – | 552,311 |
| Transfer from reserve to accumulated losses | – | – | – | (2,179,562) | 2,179,562 | – | – | – |
| **Balance at 30 June 2021** | **11,898,945** | **71,146** | **(73,734)** | **–** | **(8,852,839)** | **3,043,518** | **(16,125)** | **3,027,393** |

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 2021

| | Note | Consolidated 2021 $ | 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 687,779 | 24,271,223 |
| Payments to suppliers and employees (inclusive of GST) | | (3,920,492) | (25,773,774) |
| Interest received | | 58,334 | 109,722 |
| Lease payments (interest) | | (111,220) | (180,526) |
| Interest and other finance cost paid | | (18,167) | – |
| Net income taxes received/(paid) | | 338,642 | (547,635) |
| Government grants and tax incentives | | 629,753 | 288,984 |
| **Net cash used in operating activities** | 32 | **(2,335,371)** | **(1,832,006)** |
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of plant and equipment | | – | 1,818 |
| Payments to acquire plant and equipment | 10 | (4,342) | (1,319,481) |
| Purchase of intangibles | 11 | – | (112,325) |
| Payments to acquire business (net of cash acquired) | 28 | (204,572) | (800,000) |
| Payment to related party | | (197,961) | – |
| Receipts from related party | | 99,985 | – |
| Loss of control over subsidiaries | | (876,306) | – |
| **Net cash used in investing activities** | | **(1,183,196)** | **(2,852,334)** |
| **Cash flows from financing activities** | | | |
| Lease payment (principal) | 29 | (382,445) | (622,346) |
| **Net cash from/(used in) financing activities** | | **(382,445)** | **(622,346)** |
| Net decrease in cash and cash equivalents | | (3,901,012) | (4,684,340) |
| Cash and cash equivalents at the beginning of the financial year | | 7,304,139 | 12,047,350 |
| Effects of exchange rate changes on cash and cash equivalents | | (12,052) | (58,871) |
| **Cash and cash equivalents at the end of the financial year** | 7 | **3,391,075** | **7,304,139** |

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. CORPORATION INFORMATION

Mediland Pharm Limited is a company limited by shares incorporated in New South Wales on 27 August 2018.

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**New Standards and interpretations not yet adopted**

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

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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

**Conceptual Framework for Financial Reporting (Conceptual Framework)**

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

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

### (a) Basis of preparation

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

**(i) Historical cost convention**

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

**(ii) Critical accounting estimates**

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

### (b) Going concern

During the period, the Group incurred a loss after tax of $6,437,185 and net operating cash outflows of $2,282,215 as a result of the significant changes to business operations during the year. These results included significant non-recurring items including:

| | | |
|---|---|---|
| 1. | Loan forgiveness on the loss of control of subsidiaries | $3,134,450 |
| 2. | Share based payment, an acceleration of LTIP shares during the half year. | $552,311 |
| 3. | Impairment of group assets | $3,461,417 |
| | | **$7,148,178** |

Those non-recurring income includes:

| | | |
|---|---|---|
| 1. | Gain on loss of control on subsidiaries | $1,844,206 |
| 2. | Gain on lease termination | $378,814 |
| 3. | Gain on bargin purchase | $365,237 |
| | | **$2,588,257** |

The directors and management have been addressing the ongoing COVID-19 environment by actively engaging in conserving cash reserves by closing 4 retail stores. The acquisition of Heartland Ambassador Hamilton Hotel in New Zealand, is part of the Group's strategy to diversify revenue streams in response to the pandemic, this immediate new revenue stream and a tangible assets with development potential, enabling further expansion of the business. This strategy of diversifying revenues to offset the challenges from the COVID-19 continues to be successful. Additionally, management has instituted a range of measures to significantly reduce costs.
The Directors consider it appropriate for the financial staments to be prepared on a going concern basis for the following reasons:

- As at 30 June 2021, the Group had a net asset position of $2,870,623 and cash and cash equivalents of $3,391,075, demonstrating the strong financial position of the Group following the changes implemented during the year;
- Cash flow forecasts of the Group suggest improved and positive operating cash flows for the forecast period FY22. Whilst the impact of the lockdown in NZ has had an impact on operating cash flows of the Hamilton hotel during the FY21 financial year, the average occupancy rate was robust;

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Management continues to monitor cash flow and seeks ways to minimise outflows;
- The Group has the ability to manage and modify its cash flows with related parties during the forecast period if required to do so; and
- Whilst the commercial loan with BNZ expires on 1 August 2022 (see note 16), management and the Directors are confident that the loan will be renewed on similar terms prior to expiry.

### (c) Significant Accounting Policies

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

### (d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

### (e) Employee benefits

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

### (f) Foreign currency transactions and balances

**Functional and presentation currency**

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

**Transactions and balances**

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

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

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

**Group companies**

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

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

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

### (g) Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

| Judgement Area | Note |
|---|---|
| Impairment of goodwill | 5 |
| Impairment of assets | 5 |
| Provision for impairment of inventories | 9 |
| Estimation of useful lives of assets | 10 |
| Fair value on land and buildings | 10 |
| Share based payments | 21 |
| Loss of control over subsidiries | 25 |
| Business combination | 28 |

**Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity 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 consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

# Note 3. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 6 to 11. For the year ended 30 June 2021, the Group examines the group's performance both from a division and geographic perspective and has identified three reportable segments of the Group's business:

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

### Profit and loss disclosure

| | Hotel 2021 $ | Retail 2021 $ | Online 2021 $ | Total 2021 $ | Retail 2020 $ | Online 2020 $ | Total 2020 $ |
|---|---|---|---|---|---|---|---|
| **Sale of goods** | | | | | | | |
| Australia | – | 273,338 | 377,607 | 650,945 | 15,543,827 | 1,231,898 | 16,775,725 |
| New Zealand | – | 2,200 | – | 2,200 | 2,890,347 | | 2,890,347 |
| | **–** | **275,538** | **377,607** | **653,145** | **18,434,174** | **1,231,898** | **19,666,072** |
| **Commission received** | | | | | | | |
| Australia | – | 103,807 | – | 103,807 | 1,587,677 | – | 1,587,677 |
| New Zealand | – | – | – | – | 2,044,698 | – | 2,044,698 |
| | **–** | **103,807** | **–** | **103,807** | **3,632,375** | **–** | **3,632,375** |
| **Hotel revenue** | | | | | | | |
| Australia | – | – | – | – | – | – | – |
| New Zealand | 400,537 | – | – | 400,537 | – | – | – |
| | **400,537** | **–** | **–** | **400,537** | **–** | **–** | **–** |
| **Other revenue** | | | | | | | |
| Australia | – | 137,235 | – | 137,235 | 96,764 | – | 96,764 |
| New Zealand | – | 2,392 | – | 2,392 | 12,958 | – | 12,958 |
| | **–** | **139,627** | **–** | **139,627** | **109,722** | **–** | **109,722** |
| **Government grant** | | | | | | | |
| Australia | – | 627,361 | – | 627,361 | 276,026 | – | 276,026 |
| New Zealand | – | 2,392 | – | 2,392 | 12,958 | – | 12,958 |
| | **–** | **629,753** | **–** | **629,753** | **288,984** | **–** | **288,984** |

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 3. SEGMENT INFORMATION (continued)

| | Hotel 2021 $ | Retail 2021 $ | Online 2021 $ | Total 2021 $ | Retail 2020 $ | Online 2020 $ | Total 2020 $ |
|---|---|---|---|---|---|---|---|
| **Less: COGS** | | | | | | | |
| Australia | – | (176,506) | (356,902) | (533,408) | (4,124,976) | (933,011) | (5,057,987) |
| New Zealand | (10,353) | 2,392 | – | (7,961) | (448,751) | – | (448,751) |
| | **(10,353)** | **(174,114)** | **(356,902)** | **(541,369)** | **(4,573,727)** | **(933,011)** | **(5,506,738)** |
| **Operating expense** | | | | | | | |
| Australia | – | (2,193,105) | (253,660) | (2,446,765) | (15,966,090) | (639,516) | (16,605,606) |
| New Zealand | (276,692) | (349,523) | – | (626,215) | (4,236,814) | – | (4,236,814) |
| | **(276,692)** | **(2,542,628)** | **(253,660)** | **(3,072,980)** | **(20,202,904)** | **(639,516)** | **(20,842,420)** |
| **Depreciation and amortisation** | | | | | | | |
| Australia | – | (451,840) | (160,661) | (612,501) | (961,352) | (2,159) | (963,511) |
| New Zealand | (52,797) | (80,780) | (7,060) | (140,637) | (315,091) | – | (315,091) |
| | **(52,797)** | **(532,620)** | **(167,721)** | **(753,138)** | **(1,276,443)** | **(2,159)** | **(1,278,602)** |
| **Segment (profit) or loss** | **60,695** | **(2,100,637)** | **(400,676)** | **(2,440,618)** | **(3,587,819)** | **(342,788)** | **(3,930,607)** |
| **Add:** | | | | | | | |
| Gain on degroup | | | | 1,844,206 | | | – |
| Gain or loss on termination | | | | 378,814 | | | – |
| Gain on bargain sales | | | | 365,237 | | | – |
| Listing expenses | | | | – | | | (990,560) |
| Share-based payment | | | | (552,311) | | | – |
| Impairment expenses | | | | (3,461,417) | | | – |
| Loan forgiveness | | | | (3,134,450) | | | – |
| Income tax expense | | | | 720,124 | | | (187,874) |
| | | | | **(6,280,415)** | | | **(5,109,041)** |

### Segment assets and liabilities

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

| | Hotel 2021 $ | Retail 2021 $ | Online 2021 $ | Total 2021 $ | Retail 2020 $ | Online 2020 $ | Total 2020 $ |
|---|---|---|---|---|---|---|---|
| **Segment assets** | | | | | | | |
| Australia | – | 3,533,806 | – | 3,533,806 | 14,388,196 | 1,420,508 | 15,808,704 |
| New Zealand | 5,785,519 | 287,697 | – | 6,073,216 | 1,716,583 | – | 1,716,583 |
| **Total segment assets** | **5,785,519** | **3,821,503** | **–** | **9,607,022** | **16,104,779** | **1,420,508** | **17,525,287** |
| Unallocated assets | | | | – | | | 1,014,350 |
| **Total assets as per the balance sheet** | | | | **9,607,022** | | | **18,539,637** |
| **Segment liabilites** | | | | | | | |
| Australia | – | (2,658,248) | – | (2,658,248) | (6,871,749) | (1,021,260) | (7,893,009) |
| New Zealand | (3,059,856) | (772,324) | – | (3,832,180) | (790,960) | – | (790,960) |
| **Total segment liabilities** | **(3,059,856)** | **(3,430,572)** | **–** | **(6,490,428)** | **(7,662,709)** | **(1,021,260)** | **(8,683,969)** |
| Unallocated liabilities | | | | (245,971) | | | (1,080,996) |
| **Total liabilities as per the balance sheet** | | | | **(6,736,399)** | | | **(9,764,965)** |

## Note 4. REVENUE AND OTHER INCOME

| | 2021 $ | 2020 $ |
|---|---|---|
| **Revenue** | | |
| Hotel operations | 400,537 | – |
| Sale of goods | 653,145 | 19,666,072 |
| Commission received | 103,807 | 3,632,375 |
| **Total revenue** | **1,157,489** | **23,298,447** |
| **Other income** | | |
| Accounts payable write off | 81,293 | – |
| Interest income | 21,555 | 92,057 |
| Other income | 36,779 | 17,665 |
| **Total other income** | **139,627** | **109,722** |
| Government grant | 629,753 | 288,984 |

### Recognition and Measurement

#### Sales of goods

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

## Note 4. REVENUE AND OTHER INCOME (continued)

**Hotel operating revenue**

Revenue from hotel operations is recognised at the amount of consideration received or receivable, excluding sales taxes, rebates and discounts, when the purchased rooms and services are rendered. The Group allocates the transaction price to each performance obligation based on the relative standalone selling prices of the rooms and services if there are more than one performance obligation satistified at a point in time.

**Government grants / subsidies**

Government grants are recognised as income when it is reasonably certain that the company complies the conditions attached to them and when the right to receive payment is established. The company has elected to recognise grant income as other income in the financial statements.

**Commission income**

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

**App online sales**

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

**Interest income**

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

**Other income**

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

## Note 5. EXPENSES

| | 2021<br>$ | 2020<br>$ |
|---|---|---|
| *Finance costs* | | |
| Interest charges paid/payable for lease liabilities | 111,220 | 180,527 |
| *Superannuation expenses* | | |
| Defined contribution superannuation expenses | | |
| (including non-executive Director) | 29,157 | 163,556 |
| *Items included in administrative expenses include* | | |
| Enti Financial acquisition expenses | – | 10,000 |
| Depreciation and amortisation expenses | 276,622 | 408,720 |
| Depreciation of right of use asset | 476,516 | 869,882 |
| Impairment expense | | |
| Impairment of goodwill | 321,882 | – |
| Impairment of other assets | | |
| Property, plant and equipment (Note 10) | 1,237,086 | – |
| Right-of-use assets (Note 29) | 1,392,305 | – |
| Intangible assets (Note 11) | 176,170 | – |
| Inventory | 75,000 | – |
| Intercompany loan on acquisition | 93,048 | – |
| Impairment of receivables | 165,906 | – |
| | **3,461,417** | **–** |

**Impairment of Assets Accounting Policies**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**Impairment Review**

As indicated in previous periodic reports, the Group suffered a substantial decrease in revenue from ordinary activities in FY21 as a direct impact of the Covid-19 pandemic. There has been no revenue generated from retail stores since the suspension of trading in February 2020. With continued suspension of retail operations for most of 2020 calendar year, 3 subsidiaries went into voluntary administration in December 2020, and Enti-Financials in May 2021 (refer to Note 25). Whilst the NZ subsidiary has not entered into voluntary administration, there have been no operations in this entity. Given these factors, the group has conducted a comprehensive impairment review at both 31 December 2020 and 30 June 2021.

At 31 December 2020 the 2 CGUs for which an impairment assessment was performed were the Enti-Financials being an Australian retail and online division, and NZ being the NZ retail division.

The impairment loss on goodwill and other assets that were recognised by the group in the statement of profit or loss relates to its online app and followed a reassessment on the overhead and market risk, as a result of declining sales due to the impacts of COVID-19.

**Enti-Financials Retail & Online Sales Division**

1. The Group determined the recoverable amount using a value-in-use calculation using a discounted cash flow model. The cash flow projections were based on financial budgets approved by management covering a one-year projection period approved by management. Based on this the recoverable amount was determined to be less than the carrying amount of the assets thus the assets were fully impaired.

The following key assumptions were used in the discounted cash flow model for the online app sales division:

- 17% pre-tax discount rate (2020: no impairment assessment was performed)
- Revenue would remain consistent with the 6 months to December 2020

The discount rate of 17% pre-tax reflects management's estimate of the time value of money and the group's weighted average cost of capital.

All corporate assets were allocated to this CGU as this was the only CGU which generated revenue as at 31 December 2020.

Based on the above, an impairment charge of $2,862,757 has been applied as the carrying amount of the assets exceeded its recoverable amount for the Enti-Financials online sales app division.

| | $ |
|---|---|
| Goodwill | 321,882 |
| RoU asset | 567,601 |
| PPE | 458,446 |
| Inventory | 75,000 |
| Intangibles | 176,170 |
| Receivables | 165,906 |
| Corporate assets | 1,097,752 |
| **TOTAL** | **2,862,757** |

If the discount rate applied to the cash flow projection of this CGU had been 1% lower than management's estimates (16% instead of 17%), the Group would have to recognise a further impairment of $5,554. In May 2021, the management decided to cease the operation in the online app sales division, and entered into voluntary administration.

**New Zealand Retail Division**

2. The Group determined the recoverable amount using a value-in-use calculation using a discounted cash flow model. The cash flow projections were based on financial budgets approved by management covering a one-year projection period approved by management. Based on this the recoverable amount was determined to be less than the carrying amount of the assets thus the assets were fully impaired.

   Given the uncertainty around when the international borders will reopen management have fully impaired the assets in this CGU. An impairment charge of $598,660 was recorded.

   In July 2021, the New Zealand shop lease agreement was terminated, following temporary suspension of retail business operations, Management and Board are continuously discussing, evaluating, and assessing risks associated with continuing business in the tourism and retail sector in the current economic and political environment.

The above assessment remains valid for 30 June 2021.

The impairment charge relating to these entities relate to the retail and online segments. The impairment expense relating to the retail segment is $598,660 and the amount relating to the retail and online segment is $2,862,757.

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 6. INCOME TAX EXPENSES

| | 2021 $ | 2020 $ |
|---|---|---|
| **Income tax expense / (benefit)** | | |
| Current tax | 25,500 | (31,829) |
| Deferred tax | (745,624) | 219,703 |
| | **(720,124)** | **187,874** |
| **Numerical reconciliation of income tax to prima facie tax payable:** | | |
| Prima facie income tax expense on loss from ordinary activities (28%-30%) | (2,100,748) | (1,476,350) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Add not accessible income | (49,625) | – |
| Add other assessable income | 13,043 | – |
| Add non deductible expense | 9,016 | – |
| Add gain on bargain purchase | (108,985) | – |
| Non-deductible share-based payment expenses | 165,693 | 297,168 |
| Non-deductible amortisation and depreciation | (446,224) | 163,449 |
| Non-deductible impairment | 640,195 | – |
| Non-deductible loan forgiveness | 940,335 | – |
| Add back gain on loss of control on subsidiaries | (902,459) | – |
| Difference in overseas tax rates | 23,784 | 143,771 |
| Adjustment for deferred tax | – | 236,042 |
| Under provision in prior year | 20,714 | – |
| Less: Tax loss not recognised | 1,075,137 | 823,794 |
| **Income tax expense** | **(720,124)** | **187,874** |

### Reconciliation of DTA and DTL

| | DTA | DTL |
|---|---|---|
| Balance at 1 July 2020 | 1,014,350 | 1,398,224 |
| DTL on FV of land and buildings | – | 150,518 |
| Impairment | (166,128) | – |
| Adjustment for loss of control on subsidiaries | (718,172) | (1,231,967) |
| Other temporary differences | 48,762 | (48,762) |
| **Balance at 30 June 2021** | **178,812** | **268,013** |

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

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

The total amount of unused tax losses for which no deferred tax asset has been recognised is $3,583,790, tax effected at 30% $689,686. (2020: $823,794)

### Recognition and Measurement

#### Current tax

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

#### Deferred tax

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

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

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

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

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

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

## Note 7. CASH AND CASH EQUIVALENTS

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Cash on hand | 751 | 63,621 |
| Cash at bank | 3,390,324 | 7,240,518 |
| | **3,391,075** | **7,304,139** |

### Recognition and Measurement

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

Cash at bank bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 2.40% (2019-20: between 0.00% and 2.40%).

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 8. TRADE AND OTHER RECEIVABLES

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Trade receivables | 91,498 | 78,098 |
| Other receivables | 283,768 | 681,088 |
| Deposits | – | 90,161 |
| GST receivables | 1,882 | 75,682 |
| | 285,650 | 846,931 |
| | **377,148** | **925,029** |

### Recognition and Measurement

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

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

## Note 9. INVENTORIES

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Finished goods | 81,097 | 1,411,204 |
| | **81,097** | **1,411,204** |

### Recognition and Measurement

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of costs of purchase, delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Net realiable value is the estimated selling price in the oridinary course of business less the estimated costs necessary to make the sale.

#### Key estimates and judgement

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.The COVID-19 pandemic has resulted in the mandated closure of New Zealand shops for the entire financial year. Thus, management engaged an agent to evaluate the expected selling price, based on the uncertainty surrounding the trading environment, an estimated recoverable amount of approxmiately 20% of the original stock costs was recorded.

## Note 10. PROPERTY, PLANT AND EQUIPMENT

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Land | 2,659,091 | – |
| Buildings | 2,701,929 | – |
| Less: Accumulated depreciation | (43,672) | – |
| | **2,658,257** | **–** |
| Fixtures and fittings – at cost | 356,915 | 1,503,861 |
| Less: Accumulated depreciation | (131,862) | (176,933) |
| | **225,053** | **1,326,928** |
| Motor vehicles – at cost | – | 327,626 |
| Less: Accumulated depreciation | – | (140,290) |
| | **–** | **187,336** |
| Office equipment – at cost | 295,923 | 228,298 |
| Less: Accumulated depreciation | (114,633) | (91,502) |
| | **181,290** | **136,796** |
| Lease improvement – at cost | – | 1,682,845 |
| Less: Accumulated depreciation | – | (302,507) |
| | **–** | **1,380,338** |
| **Total property, plant and equipment** | **5,723,691** | **3,031,398** |

**Reconciliations**

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

| Consolidated | Land $ | Building $ | Motor Vehicles $ | Fixtures and Fittings $ | Office Equipment $ | Lease Improve-ment $ | Total $ |
|---|---|---|---|---|---|---|---|
| Balance at 30 June 2019 | – | – | 205,806 | 1,352,628 | 76,382 | 508,258 | 2,143,074 |
| Reclassification to intangible | – | – | – | – | 26,049 | (26,049) | – |
| Adjusted balance as at 1 July 2019 | – | – | 205,806 | 1,352,628 | 102,431 | 482,209 | 2,143,074 |
| Additions | – | – | 52,267 | 32,414 | 94,068 | 1,140,732 | 1,319,481 |
| Disposals | – | – | (6,464) | – | – | – | (6,464) |
| Reclassification | – | – | – | – | (6,000) | – | (6,000) |
| Write-off | – | – | (13,009) | – | – | – | (13,009) |
| Exchange differences | – | – | – | (23) | (68) | – | (91) |
| Depreciation expense | – | – | (51,264) | (58,091) | (53,635) | (242,603) | (405,593) |
| **Balance at 30 June 2020** | **–** | **–** | **187,336** | **1,326,928** | **136,796** | **1,380,338** | **3,031,398** |
| Write-off | – | – | – | (4,986) | – | | (4,986) |
| Disposals due to loss of control | – | – | (162,018) | (1,301,806) | (109,798) | – | (1,573,622) |
| Impairment of CGU | – | – | (4,400) | – | (6,864) | (1,225,822) | (1,237,086) |
| Additions through business acquisition (Note 28) | 2,659,091 | 2,701,929 | – | 229,041 | 180,064 | – | 5,770,125 |
| Addition | – | | – | – | 4,342 | – | 4,342 |
| Exchange differences | – | (2,307) | – | (1,300) | (311) | – | (3,918) |
| Depreciation expense | – | (41,365) | (20,918) | (27,810) | (17,953) | (154,516) | (262,562) |
| **Balance at 30 June 2021** | **2,659,091** | **2,658,257** | **–** | **225,053** | **181,290** | **–** | **5,723,691** |

## Note 10. PROPERTY, PLANT AND EQUIPMENT (continued)

**Recognition and Measurement**

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The current valuation has been done at the acquisition date. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

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

| | |
|---|---|
| Furniture and fittings | 3-40 years |
| Leasehold improvements | 3-10 years |
| Office equipment | 1-5 years |
| Buildings | 25 years |
| Motor vehicle | 5-10 years |

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

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

### Key estimates and judgements

**Estimation of useful lives of assets**

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity 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. Refer to Note 5.

**Fair value measurement hierarchy**

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

The basis of the valuation of land and buildings is fair value and is classified as level 3. The land and buildings were last revalued on January 2021 before the acquisition (refer to Note 28) based on independent assessments by CBRE New Zealand, who recent experience in the location and category of land and buildings being valued. This valuation was performed baesd on a mixture of 2 approaches being the capitalisation approach and discounted cash flow approach. These valuation methodologies considered current prices for similar properties in the same location and condition. The directors do not believe that there has been a material movement in fair value since the revaluation date.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

| Description | Unobservable inputs | Range (weighted average) | Sensitivity |
|---|---|---|---|
| Land and buildings | *Capitalisation approach* | | |
| | Stabilised yield | 7.25% to 8.25% (7.75%) | 0.5% change would increase/ decrease fair value by $400,000 |
| | *Discounted cash flow approach* | | |
| | Terminal yield | 8.25% | 0.5% change would increase/ decrease fair value by $200,000 |
| | Discount rate | 8.75% to 10.75% (9.75%) | 0.5% change would increase/ decrease fair value by $400,000 |

## Note 11. INTANGIBLES

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Trademark – at cost | 16,239 | 122,243 |
| Less: Accumulated amortisation | (1,706) | (2,996) |
| | **14,533** | **119,247** |
| Customer relationship – at cost | – | 80,000 |
| Website | 6,000 | 6,000 |
| Less: Accumulated amortisation | (1,800) | (600) |
| | **4,200** | **5,400** |
| **Total** | **18,733** | **204,647** |
| Goodwill | – | 321,882 |
| **Total goodwill** | **–** | **321,882** |

**Reconciliations**

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

| Consolidated | Goodwill $ | Patent and Trademark $ | Customer Relationship $ | Website $ | Total $ |
|---|---|---|---|---|---|
| Balance at 1 July 2019 | – | 5,395 | – | – | 5,395 |
| Additions through business acquisition: | | | | | |
| Customer relationship | – | – | 80,000 | – | 80,000 |
| Patent | – | 10,000 | – | – | 10,000 |
| Other additions | 321,882 | 106,325 | – | 6,000 | 112,325 |
| Amortisation expense | – | (2,527) | – | (600) | (3,127) |
| Exchange difference | – | 54 | – | – | 54 |
| **Balance at 30 June 2020** | **321,882** | **119,247** | **80,000** | **5,400** | **204,647** |
| Impairment of CGU | (321,882) | (96,170) | (80,000) | – | (176,170) |
| Exchange differences | – | (3,191) | – | – | (3,191) |
| Amortisation expense | – | (5,353) | – | (1,200) | (6,553) |
| **Balance at 30 June 2021** | **–** | **14,533** | **–** | **4,200** | **18,733** |

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 11. INTANGIBLES (continued)

### Recognition and Measurement

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Customer Relationship

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

#### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

#### Patent and trademarks

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

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit, refer to Note 5.

## Note 12. TRADE AND OTHER PAYABLES

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Trade payables | 306,247 | 3,251,611 |
| Other payables – related parties | 111,600 | 197,961 |
| Other payables | 387,073 | 254,819 |
| | **804,920** | **3,704,391** |

### Recognition and Measurement

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

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the financial risks associated with trade and other payables refer to Note 20.

## Note 13. PROVISIONS

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Employee benefits | 61,384 | 50,854 |
| | **61,384** | **50,854** |

### Recognition and Measurement

**Employee benefits**

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

**Short-term employee benefits**

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

**Other long-term employee benefits**

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

## Note 14. CUSTOMERS DEPOSIT

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Customers deposit | – | 399,987 |
| | **–** | **399,987** |

### Recognition and Measurement

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

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 15. DEFERRED CONSIDERATION

| | June 2021 $ | June 2020 $ |
|---|---|---|
| *Current* | | |
| Deferred consideration to Premier Hospitality Management | 1,150,470 | – |
| | **1,150,470** | **–** |
| *Non Current* | | |
| Deferred consideration to Premier Hospitality Management | 992,525 | – |
| | **992,525** | **–** |

### Recognition and Measurement

Deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the deferred consideration classified as an asset or liability is recognised in profit or loss. Refer to Note 28.

On 30 April 2021, Mediland Pharm Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, this was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. Refer to Note 28. The total deferred payment of $2,200,000, was agreed by both parties to be paid at $100,000 per month. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Note 16. BORROWINGS

| | June 2021 $ | June 2020 $ |
|---|---|---|
| *Non Current Borrowings* | | |
| BNZ Commerical loan | 2,512,797 | – |
| | **2,512,797** | **–** |

Heartland Ambassador Hamilton Hotel's bank loan facility has an outstanding balance, totalling $2,512,797, is an interest only loan at an annual interest rate 3.14%. This loan expires on 1 August 2022 and management is currently re-negotiating the loan with Bank of New Zealand.

### Recognition and Measurement

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Note 17. ISSUED CAPITAL

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Fully paid ordinary shares | 12,552,822 | 12,552,822 |
| Less: share issue cost | (653,877) | (653,877) |
| | **11,898,945** | **11,898,945** |

| | Number of shares | |
|---|---|---|
| **(a) Fully paid ordinary shares** | | |
| At the beginning of the year | 312,763,610 | 312,763,610 |
| **At the end of the year** | **312,763,610** | **312,763,610** |

### Recognition and Measurement

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

## Note 18. RESERVES

| | June 2021<br>$ | June 2020<br>$ |
|---|---|---|
| Foreign currency reserve | (73,734) | (54,559) |
| Share-based payments reserve | 2,179,562 | 1,627,251 |
| Transferred to accumulated losses | (2,179,562) | – |
| Group restructure reserve | 71,146 | 71,146 |
| | **2,588** | **1,643,838** |

### Recognition and Measurement

#### Foreign currency translation reserve

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

#### Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued and vested to employees and directors. Refer to Note 21.

## Note 19. DIVIDEND

There were no dividends paid, recommended or declared during the current financial year. (FY2020: Nil)

## Note 20. NON-CONTROLLING INTEREST

| | June 2021<br>$ | June 2020<br>$ |
|---|---|---|
| Retained loss | 16,125 | – |
| | **16,125** | **–** |

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 21. SHARE BASED PAYMENTS

An employee incentive plan ("EIP") has been established by the Group at the initial public offering, whereby the Group may, at the discretion of the Remuneration & Nominations Committee, grant performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

Based on the EIP, the Company has also established a Long Term Incentive Plan (LTIP) to encourage the high performance of its key management personnel and senior management personnel in order to promote the long-term success of the Company. The LTIP is an equity-based plan which is delivered in the form of Performance Rights. These Performance Rights have a three year vesting period and will vest at the end of its period. On 9 July 2020, the first tranche of Performance Rights lapsed and was forfeited. The Board in applying its absolute discretion in relation to the 2nd and 3rd tranches of the Performance Rights vesting on 9 January 2021 and 9 January 2022 (expiring six months from each anniversary dates noted), terminated the LTIP in 25 September 2020 which originally issued during initial public offering . The cancellation of this LTIP during the year resulted in an acceleration of the expenditures of $552,311 (FY2020: $990,560).

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

**2021**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 09/01/2019 | 09/01/2022 | $0.00 | 12,050,000 | – | – | 12,050,000 | – |
| | | | 12,050,000 | – | – | 12,050,000 | – |

**2020**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 09/01/2019 | 09/01/2022 | $0.00 | 13,300,000 | – | – | 1,250,000 | 12,050,000 |
| | | | 13,300,000 | – | – | 1,250,000 | 12,050,000 |

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

On the each anniversary after the grant date, the directors will receive $10,000 worth of shares in the company in 2020, 2021 and 2022.

**2021**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 24/01/2019 | 24/01/2022 | $0.00 | $30,000 | – | – | – | $30,000 |
| 02/11/2018 | 02/11/2021 | $0.00 | $60,000 | – | – | – | $60,000 |
| | | | $90,000 | – | – | – | $90,000 |

**2020**

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 24/01/2019 | 24/01/2022 | $0.00 | $30,000 | – | – | – | $30,000 |
| 02/11/2018 | 02/11/2021 | $0.00 | $60,000 | – | – | – | $60,000 |
| | | | $90,000 | – | – | – | $90,000 |

### Recognition and Measurement

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

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

**Key estimates and judgements**

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

## Note 22. LOSS/EARNINGS PER SHARE

| | June 2021 $ | June 2020 $ |
|---|---|---|
| a. Earnings used to calculate basic EPS from continuing operations | (6,280,415) | (5,109,041) |

| | Number | Number |
|---|---|---|
| b. Weighted average number of ordinary shares during the year used in calculating basic EPS* | 312,763,610 | 312,763,610 |
| c. Basic and Diluted earnings per share (cents per share) | (2.01) | (1.63) |

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

## Note 23. FINANCIAL INSTRUMENTS

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

### Market risk

**Foreign currency risk**

the Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

| | Assets | | Liabilities | |
|---|---|---|---|---|
| **Consolidated** | **2021 $** | **2020 $** | **2021 $** | **2020 $** |
| New Zealand dollars | 475,704 | 1,832,054 | 502,852 | 1,020,385 |
| Chinese Yuan | – | 1,151,276 | – | 1,599,507 |
| | **475,704** | **2,983,330** | **502,852** | **2,619,892** |

The Group had net liabilities denominated in foreign currencies of $27,148 (assets of $475,704 less liabilities of $502,852) as at 30 June 2021 (2020: net assets of $363,438). Based on this exposure, had the Australian dollars weakened by 3% strengthened by 3% against these New Zealand dollar with all other variables held constant, the Group's profit before tax for the year would have been $736 lower / $736 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2021 was $Nil (2020: Nil).

### Price risk

The Group is not exposed to any significant price risk.

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 23. FINANCIAL INSTRUMENTS (continued)

### Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the consolidated entity to interest rate risk. Borrowings obtained at fixed rates expose the consolidated entity to fair value risk. The consolidated entity's bank loans outstanding, totalling $2,512,797 (2020: $nil), are interest only payment loans. An official increase/decrease in interest rates of 100 (2020: 100) basis points would have an adverse/favourable effect on profit before tax of $25,127 (2020: $nil) per annum.

### Credit risk

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

The Group has a credit risk exposure with customers from which the hotel operating revenue has generated, which as at 30 June 2021 balance owed the Group amounting of $91,498. This balance was within its terms of trade and no impairment was made as at 30 June 2021. There are no guarantees against this receivable but management closely monitors the receivable balance on a daily basis and is in regular contact with this customer to mitigate risk. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

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

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

### Liquidity risk

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

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

#### Remaining contractual maturities

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

| Consolidated – 2021 | Weighted average interest rate % | 1 year or less $ | Between 1 and 5 years $ | Over 5 years $ | Total contractual cash flows $ | Total Carrying amount |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | – | 306,247 | – | – | 306,247 | 306,247 |
| Other payables | – | 498,673 | – | – | 498,673 | 498,673 |
| Lease liabilities – Current | 5% | 499,598 | – | – | 499,598 | 499,598 |
| Lease liabilities – Non-Current | 5% | – | 403,371 | – | 403,371 | 403,371 |
| Deferred consideration – Current | 3% | 1,150,470 | – | – | 1,150,470 | 1,150,470 |
| Deferred consideration – Non-Current | 3% | | 992,525 | – | 992,525 | 992,525 |
| Borrowings – Non-Current | 4% | | 2,512,797 | – | 2,512,797 | 2,512,797 |
| **Total non-derivatives** | | **2,367,962** | **3,995,719** | **–** | **6,363,681** | **6,363,681** |

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

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

### Fair value of financial instruments

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

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is approximate to fair value.

## Note 24. CAPITAL RISK MANAGEMENT

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

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

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

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 25. SUBSIDIARIES

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

| Name | Principal place of business / Country of incorporation | Ownership interest 2021 % | 2020 % |
|---|---|---|---|
| Darling Harbour Pty Ltd** | Australia | 100.00% | 100.00% |
| St Wells Pty Ltd** | Australia | 100.00% | 100.00% |
| Surfers Paradise Pty Ltd** | Australia | 100.00% | 100.00% |
| Mediland Pharm NZ Ltd | New Zealand | 100.00% | 100.00% |
| Enti Financial Pty Ltd^^ | Australia | 100.00% | 100.00% |
| Share We Do Platform Technology Services Co., Ltd^^ | China | closed | 100.00% |
| Ixora Investment Pty Ltd*** | New Zealand | 100% | – |
| The Collection Hotels and Resorts Pty Ltd^^^ | Australia | 65% | – |

** the company has entered into an external administration on 11 December 2020, management of Mediland has lost control of the subsidiary. As a result of the deconsolidation of these entities, a net loss of $1,183,430 has been recognised in the statement of profit or loss. This includes a gain of $689,834 and the loan receivable balance amounting to $1,873,264 in Mediland Pharm Limited as at 31 December 2020 due from those three subsidiaries has been written off as the loans have been forgiven.

^^ Enti Financial Pty Ltd has entered into an external administration on 12 May 2021, management of Mediland has lost control of the subsidiary. Share We do Platform Technology Services Co., Ltd has ceased operation and deregistered in 23 June 2021. As a result of the deconsolidation of these entities, a net loss of $104,908 has been recognised in the statement of profit or loss. This includes a gain of $1,154,376 and the loan receivable balance amounting to $1,259,284 in Mediland Pharm Limited as at 12 May 2021 due from those two subsidiaries has been written off as the loans have been forgiven.

*** the company was acquired on 29 April 2021, the purchase price for the 164 shares (100% of shares issued) is $2,500,000 (Note 25).

^^^ the company established on 27 April 2021, Mediland Pharm Limited owns 65% shareholding.

### Consolidation accounting policies

Subsidiaries are all those entities over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

### Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary at their carrying amounts, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### Key estimates and judgements

As noted above 5 entities went into voluntary administration during the year, being all of the retail entities other than NZ for which there are currently no operations. There is judgement involved in determining whether these entities were disposed of.

The decision to place these entities into voluntary administration was purely driven by the substantial impact of COVID-19 pandemic which resulted in a suspension of trading since February 2020 and a decrease in revenue from ordinary activities in FY21. This suspension in operations is temporary as the Group do intend to re-open the stores once the international borders open. They also believe it is commercially viable to do so. As such, these entities were not considered to be discontinued.

## Note 26. PARENT ENTITY INFORMATION

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

| | June 2021 $ | June 2020 $ |
|---|---|---|
| Current assets | 3,368,023 | 6,526,192 |
| **Total assets** | **6,837,401** | **9,460,667** |
| Current liabilities | 2,690,664 | 685,995 |
| **Total liabilities** | **2,873,837** | **685,995** |
| *Equity* | | |
| Issued capital | 11,898,945 | 11,898,945 |
| Reserves | 2,179,562 | 1,701,469 |
| Retained earnings | (10,114,943) | (4,825,742) |
| | **3,963,564** | **8,774,672** |
| (Loss) / profit for the year | (3,387,031) | (3,752,492) |
| **Total comprehensive (loss) for the year** | **(3,387,031)** | **(3,752,492)** |

**Contingent liabilities**

The parent entity had no contingent liabilities as at 30 June 2021 (2020: NIL).

**Capital commitments**

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2021 (2020: NIL).

## Note 27. RELATED PARTY TRANSACTIONS

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

**Parent entity**

Mediland Pharm Limited is the parent entity.

**Subsidiaries**

Interests in subsidiaries are set out in note 25.

**Key management personnel**

Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

**Transactions with related parties**

The following transactions occurred with related parties:

| | 2021 $ | 2020 $ |
|---|---|---|
| *Payment for goods and services:* | | |
| Management fee paid to Aust & Nz Group Pty Ltd | - | 433,234 |

**Loans to/from related parties**

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

| | 2021 $ | 2020 $ |
|---|---|---|
| *Current borrowings:* | | |
| Loan from Pacific Merchant Group Limited | – | 197,961 |
| Deferred consideration to Premier Hospilality Management | 2,142,995 | – |

# Notes to the Financial Statements (continued)

for the year ended 30 June 2021

## Note 27. RELATED PARTY TRANSACTIONS (continued)

The loan from Pacific Merchant Group Limited ("PMG") arising from listing costs paid by PMG during the IPO has been repaid during the year.

On 30 April 2021, Mediland Pharm Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, this was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. Refer to Note 28. All transactions were made on normal commercial terms and conditions and at market rates and the transaction has been approved at an Extraordinary General Meeting (EGM) held on 29 April 2021. The deferred consideration is unsecured and interest free, the term is 22 months.

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 28. BUSINESS COMBINATION

On 29 April 2021, the Mediland Pharm Limited acquired 100% shares of Ixora Investment Pty Ltd, a New Zealand based Company. With this acquisition, the Group expects to diversify its business to include hotel operations. From 29 April 2021 to 30 June 2021, Ixora Investment Pty Ltd's revenue amount of $400,537 and profit before tax amount of $31,647 has been consolidated into Group result. If the acquisition occurred on 1 July 2020 the full year contributions would have been revenues of $1,854,564 and profit after tax of $82,095.

| | | $ |
|---|---|---|
| Amount settled in cash | | 300,000 |
| Deferred consideration | Note 15 | 2,131,183 |
| **Total purchase price on acquisition** | | **2,431,183** |
| **Detail of the acquisition are as follows:** | | |
| Cash and cash equivalents | | 95,428 |
| Prepayments | | 7,528 |
| Inventories | | 6,950 |
| Property, plant and equipment | | 5,770,124 |
| Deferred tax assets | | 3,430 |
| Trade and other payables | | (284,429) |
| Income tax payable | | (75,702) |
| Provisions | | (63,594) |
| Deferred tax liabilities | | (150,518) |
| Borrowings long term | | (2,512,797) |
| **Net identifiable net assets at fair value** | | **2,796,420** |
| **Gain on bargain purchase** | | **365,237** |
| Acquisition costs expensed to profit or loss | | **41,432** |

### Business Combination

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

The gain on bargain purchase was a result of adjustments to the carrying amount of net assets to fair value in accordance with Australian Accounting Standards.

### Key estimates and judgements

The fair value of assets acquired and liabilities assumed requires a degree of estimation and judgement, in particular, the fair value of the hotel. Refer to Note 10.

## Note 29. ADOPTION OF AASB 16 – LEASE

| | 30 June 2021<br>$ | 30 June 2020<br>$ |
|---|---|---|
| **Assets** | | |
| Right of use assets (AASB 16) | – | 3,953,146 |
| **Liabilities** | | |
| Lease Liabilities – current (AASB 16) | 499,598 | 820,451 |
| Lease Liabilities – non-current (AASB 16) | 403,371 | 3,391,058 |
| | **902,969** | **4,211,509** |
| Interest expense charged for the period | 111,220 | 180,521 |
| **Reconciliation of right-of-use-assets** | | |
| **Balance at 1 July 2020** | | 3,953,146 |
| Decrease in right-of-use-assets due to loss of control over subsidiaries | | (1,824,393) |
| Decrease in right-of-use-assets due to impairment | | (1,392,305) |
| Lease arrangements terminated during the period | | (259,932) |
| Amortisation expense | | (476,516) |
| **Balance at 30 June 2021** | | **–** |
| **Reconciliation of lease liability** | | |
| Balance at 1 July 2020 | | 4,211,509 |
| Decreased in lease liability due to loss of control over subsidiaries | | (2,165,115) |
| Lease arrangements terminated during the period | | (760,980) |
| Principal payments | | (382,445) |
| **Balance at 30 June 2021** | | **902,969** |

## Note 29. ADOPTION OF AASB 16 – LEASE (continued)

| Lease | Location | Termination date | Gain on termination |
|---|---|---|---|
| Head office | Sydney CBD | 30 June 2022 | – |
| Shop | Sydney,Pyrmont | 11 December 2020 (date of VA) | – |
| Shop | Melbourne | 11 December 2020 (date of VA) | – |
| Shop | Gold Coast | 11 December 2020 (date of VA) | 818 |
| Shop | Sydney, George St. | 16 September 2020 | 21,228 |
| Shop | Sydney, George St. | 30 September 2020 | 356,768 |
| Shop | Sydney, Castlereagh St. | 14 May 2021 | – |
| Shop | New Zealand | 26 July 2021 | – |
| Warehouse | Sydney, Clyde | 12 August 2020 (per term) | – |
| | | | **378,814** |

### Recognition and Measurement

#### Right-of-use assets

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

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

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

#### Lease liabilities

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

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

## Note 30. AUDITORS REMUNERATION

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

| | 2021 $ | 2020 $ |
|---|---|---|
| BDO[1] | | |
| Audit and review of the financial statements | 75,533 | 72,474 |
| Other non-audit services – tax return and other tax related matter | 71,437 | 258,031 |
| **Total fee** | **146,970** | **330,505** |

1 The BDO entity performing the audit of the Group transitioned from BDO East Coast Partnership to BDO Audit Pty Ltd in June 2021. The disclosure includes amounts received or due and receivable by BDO East Cost Partnership, BDO Audit Pty Ltd and their respective related entities.

## Note 31. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

**Compensation**

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

| | 2021 $ | 2020 $ |
|---|---|---|
| Short-term employee benefits | 164,119 | 386,802 |
| Post-employment benefits | 10,366 | 36,727 |
| Share-based payments | 165,268 | 302,529 |
| | **339,753** | **726,058** |

## Note 32. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

| | 2021 $ | 2020 $ |
|---|---|---|
| (Loss) after income tax expense for the year | (6,280,415) | (5,109,041) |
| Adjustments for: | | |
| Gain on loss of control over subsidiaries | (1,844,206) | – |
| Gain on lease termination | (378,814) | – |
| Gain on bargain purchase | (365,237) | – |
| Depreciation and amortisation | 276,622 | 1,278,602 |
| Impaiment expenses | 3,461,417 | – |
| Loan forgiveness | 3,134,450 | – |
| Bad debt expense | 91,000 | – |
| Inventory written off | 392,397 | – |
| Share-based payments | 552,311 | 990,560 |
| Interest expenses | 11,904 | – |
| Foreign exchange differences | (105,114) | 32,325 |

## Note 32. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES (continued)

| | 2021 $ | 2020 $ |
|---|---|---|
| Change in operating assets and liabilities (net of acquired business): | | |
| Decrease in trade and other receivables | 547,881 | 751,429 |
| Decrease in inventories | 1,330,107 | (237,084) |
| Increase in Prepayments | (15,278) | – |
| Decrease in current tax assets | 373,842 | (861,293) |
| Decreased in deferred tax assets | 835,538 | – |
| Increase / (decrease) in trade and other payables | (2,899,471) | 806,570 |
| Decrease in customer deposit | (399,987) | – |
| Decrease in provision for income tax | 65,363 | (579,464) |
| Increase in deferred tax liabilities | (1,130,211) | 1,080,996 |
| Increase in other provisions | 10,530 | 14,394 |
| **Net cash used in operating activities** | **(2,335,371)** | **(1,832,006)** |

## Note 33. CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

## Note 34. AFTER BALANCE DATE EVENTS

In July 2021, the lease of Mediland New Zealand Pty Ltd was terminated.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

# Directors' Declaration

for the year ended 30 June 2021



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

**Dr Peter French**
**Chairman**

**Sydney, NSW**
**20 September 2021**

**Yeshween Mudaliar**
**Managing Director**

**Sydney, NSW**
**20 September 2021**

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www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia





**INDEPENDENT AUDITOR'S REPORT**

To the members of Mediland Pharm Limited

## Report on the Audit of the Financial Report

**Opinion**

We have audited the financial report of Mediland Pharm Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

**Basis for opinion**

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

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

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

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Accounting for the business combination*

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As disclosed in Note 28 of the financial report, on 29 April 2021, Mediland Pharm Limited acquired 100% of the shares of Ixora Investments Limited, an entity incorporated in New Zealand.<br><br>This is a key audit matter due to the complexity of accounting for business combinations, the significant judgements involved in determining the fair value of the assets and liabilities acquired in the business combination, and the material nature of the transaction. | Our audit procedures, amongst others, included:<br>• Reviewing the share purchase agreement to ensure all assets, liabilities and potential contingent liabilities had been identified at the date of acquisition;<br>• Performing detailed testing on the assets and liabilities acquired as at the date of acquisition;<br>• Assessing the appropriateness, accuracy and completeness of the fair value of assets and liabilities acquired under the business combinations,<br>• For the valuation of the property, plant and equipment acquired, we performed the following procedures:<br>o Assessing the competency and objectivity of the external valuers and considered the appropriateness of the valuation methodologies adopted; and<br>o Reviewed the key underlying assumptions used in the valuations such as forecast occupancy, average daily rates, stabilised yield and discount rates to supporting documentation for reasonableness.<br>• Assessing the work performed by the management in relation to the purchase price allocation, including the identification of potential separately identifiable intangible assets;<br>• Considering the tax effect accounting implications of material fair value adjustments; and<br>• Assessing the adequacy of the Group's disclosures of the acquisition in accordance with AASB 3 *Business Combinations.* |

*Accounting for the loss of control of subsidiaries*

| *Key audit matter* | *How the matter was addressed in our audit* |
|---|---|
| As disclosed in note 25, during the year 5 subsidiaries went into voluntary administration.<br><br>This was considered to be a key audit matter due to significance of the transactions on the statement of profit loss as a result of the voluntary administration of these entities.<br><br>There was also judgement applied in evaluating whether the subsidiaries in administration were deemed "discontinued operations" in accordance with the requirements of AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* ('AASB 5'). | Our audit procedures included, among others:<br>• Reviewing the accounting treatment of the transaction and ensure it is accounted for in accordance with AASB 10 *Consolidated Financial Statements*;<br>• Reviewing the carrying value of assets and liabilities at the date of the loss of control, and the calculation for the gain on loss of control of subsidiaries;<br>• Reviewing the recoverability of balances that were previously eliminated on consolidation;<br>• Reviewing management's assessment of whether the subsidiaries and operating segments were considered discontinued operations under AASB 5; and<br>• Ensuring the above transactions and/or judgements have been correctly and appropriately disclosed in the financial statements. |

**Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

**Responsibilities of the directors for the Financial Report**

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

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

BDO



**Auditor's responsibilities for the audit of the Financial Report**

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

## Report on the Remuneration Report

**Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report under the heading 'Remuneration Report' for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Mediland Pharm Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

**BDO Audit Pty Ltd**

BDO

Clayton Eveleigh
Director

Sydney, 20 September 2021

# ASX Additional Information

for the year ended 30 June 2021





Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 15 September 2021.

## (a) Substantial Holders

Substantial holders in the Company are set out below:

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

## (b) Distribution of equity securities

### (i) Ordinary share capital

312,763,610 fully paid ordinary shares are held by 327 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding are:

| Range | Holders | Fully Paid Ordinary Shares | % Units |
|---|---|---|---|
| 1 – 1,000 | 10 | 1,647 | 0.00 |
| 1,001 – 5,000 | 43 | 120,012 | 0.04 |
| 5,001 – 10,000 | 88 | 831,266 | 0.27 |
| 10,001 – 100,000 | 147 | 5,033,812 | 1.61 |
| 100,001 – and over | 39 | 306,776,873 | 98.09 |
| | **327** | **312,763,610** | **100.00** |

## (c) Consistency with business objectives (ASX Listing Rule 4.10.19)

The Company states that it has not used cash and assets in a form readily convertible to cash at the time of admission in a way inconsistent with its business objectives.

## (d) Twenty largest holders of quoted equity securities

| | Fully Paid | |
|---|---:|---:|
| **Ordinary Shareholder** | **Number** | **Percentage** |
| PACIFIC MERCHANTS GROUP LIMITED | 250,000,000 | 79.93 |
| MR QIMING DU | 13,190,811 | 4.22 |
| MR YONGQIANG LU | 10,000,000 | 3.20 |
| MS XIYAO SUN | 10,000,000 | 3.20 |
| AUSSIA PHARMACEUTICALS PTY LTD <YAN FAMILY A/C> | 2,700,000 | 0.86 |
| YUN LIU | 2,536,236 | 0.81 |
| MS MING XU <XU FAMILY A/C> | 2,500,000 | 0.80 |
| WEI LIU | 1,999,910 | 0.64 |
| MR ZHIXIONG LI | 1,997,105 | 0.64 |
| MRS LI CHEN | 1,000,000 | 0.32 |
| LEI WANG | 1,000,000 | 0.32 |
| MS JUN YAN | 1,000,000 | 0.32 |
| WEIQING YE | 1,000,000 | 0.32 |
| MS XIYAO SUN | 950,383 | 0.30 |
| XINJIA CUI | 855,600 | 0.27 |
| MS YI LIU | 764,000 | 0.24 |
| MR TISSA WIJESURIYA | 600,000 | 0.19 |
| YUANBO LIAN | 500,000 | 0.16 |
| MR ELDO NIRAKKALLUNGAL PAPPACHAN + MS RIBY KURIACHAN <N P FAMILY A/C> | 400,000 | 0.13 |
| MR CHUANG WANG | 354,467 | 0.11 |
| | **303,348,512** | **96.99** |

## (e) Voting rights

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

## (f) Unquoted equity securities

| Description | Number on Issue | No. of Holders |
|---|---:|---:|
| Performance Rights | – | – |
| NED Rights | 1,500,000 | 3 |
| | **1,500,000** | **3** |

* Computed based on share price at 15 September 2021. These are unlisted NED Rights issued to NEDs in lieu of non-cash remuneration based on $30,000 per each director over a 3-year Employee Incentive Plan.

# Corporate Directory

for the year ended 30 June 2021

## Directors

Jhon Shen (Executive director)
Yeshween Mudaliar (Managing director)
Dr Peter French (Non-executive director and Chairman)
Tracey Cray (Non-executive director)
Theo Renard (Non-executive director)
Leo Cui (Non-executive Director)

## Company secretary

Indira Naidu

## Registered office and Principal place of business

18-40 Anderson Street
PARRAMATTA
NSW 2150

## Share register

Computershare Ltd
Level 3 60 Carrington Street
Sydney
NSW 2000

## Auditor

BDO Audit Pty Ltd
11/1 Margaret St
Sydney
NSW 2000

## Bankers

St George Bank, Sydney Branch
316 George St
Sydney
NSW 2000

## Stock exchange listing

Mediland Pharm Limited shares are listed on the Australian Securities Exchange (ASX code: MPH)

## Website

http://www.medilandpharm.com.au

## Corporate governance statement

Mediland Pharm Limited's Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place.

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

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MEDILAND
Pharm Limited