



**PRESTIGE BIOPHARMA PTE LTD
AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS

For the financial years ended June 30, 2019

**PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants**

**PRESTIGE BIOPHARMA PTE LTD
AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS

For the financial years ended June 30, 2019

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Prestige Biopharma Pte Ltd and its subsidiaries
Directors' Statement
For the financial year ended June 30, 2019

The directors present their statement to the members together with the audited consolidated financial statements of the Group for the financial year ended June 30, 2019 and statement of financial position and statement of changes in equity of the Company as at June 30, 2019.

In the opinion of the directors,

- (a) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 6 to 90 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at June 30, 2019, the financial performance and cash flows of the Group, and the changes in equity of the Company and of the Group for the financial year then ended and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Park Soyeon
Kim Michael Jinwoo
Tan Ting Yong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Prestige Biopharma Pte Ltd and its subsidiaries
Directors' Statement
For the financial year ended June 30,2019

Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At <u>30.6.2019</u>	At 1.7.2018 or date of appointment, if later	At <u>30.6.2019</u>	At 1.7.2018 or date of appointment, if later
Prestige Biopharma Pte Ltd (No. of ordinary shares)				
Park Soyeon	1,541,967	1,541,967	1,541,967	1,541,967
Kim Michael Jinwoo	1,541,967	1,541,967	1,541,967	1,541,967
Tan Ting Yong	15,000	15,000	15,000	15,000

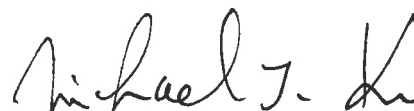
Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors



Park Soyeon
Director



Kim Michael Jinwoo
Director

December 16, 2019

Independent Auditor's Report to the Members of Prestige Biopharma Pte. Ltd.

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Prestige Biopharma Pte. Ltd. ("the Company") and its subsidiaries ("the Group") and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2019, the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the year ended June 30, 2019;
- the consolidated statement of financial position of the Group as at June 30, 2019;
- the statement of financial position of the Company as at June 30, 2019;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the statement of changes in equity of the Company for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Independent Auditor's Report to the Members of Prestige Biopharma Pte. Ltd.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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 statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 SSAs 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 these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report to the Members of Prestige Biopharma Pte. Ltd.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.



PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 16 December 2019

Prestige Biopharma Pte Ltd and its subsidiaries
Consolidated Statement of Comprehensive Income
For the financial year ended June 30, 2019

<i>(in USD)</i>	Notes	2019 \$	2018 (restated) \$
Revenue	21	1,680,000	-
Other income			
-Finance income	24	191,150	13,892
-Others		141,334	14,744
		<u>2,012,484</u>	<u>28,636</u>
Other gains/(losses)			
-Impairment losses on financial assets	4.1.2	-	(173,503)
-Others	22	2,436,787	1,061,886
		<u>2,436,787</u>	<u>888,383</u>
Expenses by nature			
-Research and development		(1,530,343)	(1,243,312)
-Wages and salaries	23	(1,505,764)	(560,894)
-Legal and professional		(794,707)	(439,982)
-Depreciation	12	(505,293)	(218,720)
-Rental on operating leases		(376,236)	(151,223)
-Advertising and promotion expenses		(108,075)	(37,268)
-Travel expenses		(305,975)	(54,111)
-Other employee benefits		(60,427)	(48,787)
-Freight		(7,906)	(13,081)
-Finance costs	24	-	(227)
-Others		(364,481)	(178,151)
Total expenses		<u>(5,559,207)</u>	<u>(2,945,756)</u>
Loss before income tax		<u>(1,109,936)</u>	<u>(2,028,737)</u>
Income tax expense	17	(165,012)	-
Loss for the year		<u>(1,274,948)</u>	<u>(2,028,737)</u>
Other comprehensive income			
<i>Items that may be subsequently reclassified to profit or loss :</i>			
Exchange differences	19	97,889	1,877
Other comprehensive income for the year, net of tax		<u>97,889</u>	<u>1,877</u>
Total comprehensive loss for the year		<u>(1,177,059)</u>	<u>(2,026,860)</u>
Total comprehensive loss attributable to owners		<u>(1,177,059)</u>	<u>(2,026,860)</u>
Basic losses per share	27	<u>(0.16)</u>	<u>(0.29)</u>
Diluted losses per share	27	<u>(0.16)</u>	<u>(0.29)</u>

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Consolidated Statement of Comprehensive Income
For the financial year ended June 30, 2019

(in USD)

	Notes	June 30, 2019	June 30, 2018 (restated)	July 1, 2017 (restated)
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	7	8,510,349	3,336,384	4,736,807
Other assets	10	648,929	229,055	218,493
Trade and other receivables	9	8,190,000	1,013,405	1,850,000
		<u>17,349,278</u>	<u>4,578,844</u>	<u>6,805,300</u>
Non-current assets				
Property, plant and equipment	12	904,507	799,007	283,248
Intangible assets	13	59,123,769	26,143,239	9,146,693
Financial asset fair value through profit or loss	8	8,037,931	5,444,794	1,748,445
Trade and other receivables	9	2,154,853	-	-
Other assets	10	55,655	46,020	42,741
		<u>70,276,715</u>	<u>32,433,060</u>	<u>11,221,127</u>
Total assets		<u>87,625,993</u>	<u>37,011,904</u>	<u>18,026,427</u>
Liabilities				
Current liabilities				
Trade and other payables	14	12,188,783	4,791,873	3,676,440
Borrowings	15	16,617,728	6,061,500	5,809,534
Contract liabilities	21	1,480,983	-	-
Financial liability at fair value through profit or loss	16	437,800	-	-
		<u>30,725,294</u>	<u>10,853,373</u>	<u>9,485,974</u>
Non-current liabilities				
Borrowings	15	41,673	34,679	27,282
Contract liabilities	21	6,457,017	1,000,000	-
Trade and other payables	14	8,211	9,778	-
		<u>6,506,901</u>	<u>1,044,457</u>	<u>27,282</u>
Total liabilities		<u>37,232,195</u>	<u>11,897,830</u>	<u>9,513,256</u>
Equity				
Share capital	18	53,198,489	28,198,489	10,898,489
Capital contribution	19	2,784,546	1,327,763	-
Translation reserve	19	99,766	1,877	-
Accumulated losses	20	(5,689,003)	(4,414,055)	(2,385,318)
Total equity attributable to equity holders of the Company		<u>50,393,798</u>	<u>25,114,074</u>	<u>8,513,171</u>
Total liabilities and equity		<u>87,625,993</u>	<u>37,011,904</u>	<u>18,026,427</u>

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Statement of Financial Position - Company
As at June 30,2019

(in USD)

	Notes	June 30, 2019	June 30, 2018 (restated)	July 1, 2017 (restated)
		\$	\$	\$
Assets				
Current assets				
Cash and cash equivalents	7	7,753,758	3,278,094	4,736,807
Other assets	10	618,398	230,718	218,493
Trade and other receivables	9	8,190,000	1,013,405	1,850,000
		<u>16,562,156</u>	<u>4,522,217</u>	<u>6,805,300</u>
Non-current assets				
Property, plant and equipment	12	904,507	799,007	283,248
Intangible assets	13	56,400,227	26,143,239	9,146,693
Investment in subsidiaries	11	92,715	56,893	-
Financial asset fair value through profit or loss	8	8,037,931	5,444,794	1,748,445
Trade and other receivables	9	5,429,741	-	-
Other assets	10	55,655	46,020	42,741
		<u>70,920,776</u>	<u>32,489,953</u>	<u>11,221,127</u>
Total assets		<u>87,482,932</u>	<u>37,012,170</u>	<u>18,026,427</u>
Liabilities				
Current liabilities				
Trade and other payables	14	12,142,703	4,781,028	3,676,440
Borrowings	15	16,617,728	6,061,500	5,809,534
Contract liabilities	21	1,480,983	-	-
Financial liability at fair value through profit or loss	16	437,800	-	-
		<u>30,679,214</u>	<u>10,842,528</u>	<u>9,485,974</u>
Non-current liabilities				
Borrowings	15	41,673	34,679	27,282
Contract liabilities	21	6,457,017	1,000,000	-
Trade and other payables	14	8,211	9,778	-
		<u>6,506,901</u>	<u>1,044,457</u>	<u>27,282</u>
Total liabilities		<u>37,186,115</u>	<u>11,886,985</u>	<u>9,513,256</u>
Equity				
Share capital	18	53,198,489	28,198,489	10,898,489
Capital contribution	19	2,784,546	1,327,763	-
Accumulated losses	20	(5,686,218)	(4,401,067)	(2,385,318)
Total equity attributable to equity holders of the Company		<u>50,296,817</u>	<u>25,125,185</u>	<u>8,513,171</u>
Total liabilities and equity		<u>87,482,932</u>	<u>37,012,170</u>	<u>18,026,427</u>

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Consolidated Statement of Changes in Equity
For the financial year ended June 30, 2019

(in USD)

	Notes	Attributable to equity holders of the Group			
		Share capital \$	Capital contribution \$	Translation reserve \$	Accumulated losses \$
Balance at July 1, 2018, as previously stated		28,198,489	-	1,877	(4,400,063)
Effects of other restatements	29	-	1,327,763	-	(758,786)
Adoption of FRS 109	2.2(c)	-	-	-	744,794
Balance at July 1, 2018, as restated		28,198,489	1,327,763	1,877	(4,414,055)
Loss for the year		-	-	-	(1,274,948)
Other comprehensive income		-	-	-	-
Exchange differences		-	-	97,889	-
Total comprehensive loss for the year		-	-	97,889	(1,274,948)
Transactions with owners					
Conversion of convertible loan	18	25,000,000	-	-	-
Waiver of interest from a share holder	19	-	1,456,783	-	-
Total transactions with owners		25,000,000	1,456,783	-	-
Balance at June 30, 2019		53,198,489	2,784,546	99,766	(5,689,003)
					50,393,798

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Consolidated Statement of Changes in Equity
For the financial year ended June 30, 2019

(in USD)

	Notes	Attributable to equity holders of the Group			
		Share capital	Capital contribution	Translation reserve	Accumulated losses
		\$	\$	\$	\$
Balance at July 1, 2017, as previously stated		10,898,489	-	-	(1,799,765)
Effects of other restatements	29	-	-	-	(603,998)
Adoption of FRS 109	2.2(c)	-	-	-	18,445
Balance at July 1, 2017 as restated		10,898,489	-	-	(2,385,318)
Loss for the year, as previously stated		-	-	-	(2,600,298)
Effects of other restatements	29	-	-	-	(154,788)
Adoption of FRS 109	2.2(c)	-	-	-	726,349
Loss for the year, as restated		-	-	-	(2,028,737)
Other comprehensive income		-	-	1,877	-
Exchange differences		-	-	1,877	-
Total comprehensive loss for the year		-	-	1,877	(2,028,737)
Transactions with owners					
Conversion of convertible loan	18	17,300,000	-	-	-
Waiver of interest from a share holder	19	-	1,327,763	-	-
Total transactions with owners		17,300,000	1,327,763	-	-
Balance at June 30, 2018		28,198,489	1,327,763	1,877	(4,414,055)
					25,114,074

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Statement of Changes in Equity - Company
For the financial year ended June 30, 2019

(in USD)

	Notes	Attributable to equity holders of the Group		
		Share capital \$	Capital contribution \$	Accumulated Losses \$
				Total equity \$
Balance at July 1, 2018, as previously stated		28,198,489	-	(4,387,075)
Effects of other restatements	29		1,327,763	(758,786)
Adoption of FRS 109	2.2(c)	-	-	744,794
Balance at July 1, 2018 as restated		28,198,489	1,327,763	(4,401,067)
Loss for the year, representing total comprehensive loss for the year		-	-	(1,285,151)
Transactions with owners				
Conversion of convertible loan	18	25,000,000	-	-
Waiver of interest from a share holder	19	-	1,456,783	-
Total transactions with owners		25,000,000	1,456,783	-
Balance at June 30, 2019		53,198,489	2,784,546	(5,686,218)

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte Ltd and its subsidiaries
Statement of Changes in Equity - Company
For the financial year ended June 30, 2019

(in USD)

	Notes	Attributable to equity holders of the Group			
		Share capital \$	Capital contribution \$	Accumulated losses \$	Total equity \$
Balance at July 1, 2017, as previously stated		10,898,489	-	(1,799,765)	9,098,724
Effects of other restatements	29	-	-	(603,998)	(603,998)
Adoption of FRS 109	2.2(c)	-	-	18,445	18,445
Balance at July 1, 2017, as restated		10,898,489	-	(2,385,318)	8,513,171
 Loss for the year, representing total comprehensive loss for the year, as previously stated		-	-	(2,587,310)	(2,587,310)
Effects of other restatements	29	-	-	(154,788)	(154,788)
Adoption of FRS 109	2.2(c)	-	-	726,349	726,349
Loss for the year		-	-	(2,015,749)	(2,015,749)
 Transactions with owners					
Conversion of convertible loan	18	17,300,000	-	-	17,300,000
Waiver of interest from a share holder	19	-	1,327,763	-	1,327,763
Total transactions with owners		17,300,000	1,327,763	-	18,627,763
 Balance at June 30, 2018		28,198,489	1,327,763	(4,401,067)	25,125,185

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte. Ltd. and subsidiaries
Consolidated Statement of Cash Flows
For the financial year ended June 30, 2019

<i>(in USD)</i>	Notes	2019	2018 (restated)
Cash flows from operating activities		\$	\$
Loss before income tax		(1,109,936)	(2,028,737)
Adjustments for:			
Impairment loss on financial assets (Note 4.1.2)		-	173,503
Gain on conversion of redeemable convertible preference shares to ordinary shares (Note 22)		(1,513,132)	-
Fair value gain on financial asset at fair value through profit or loss (Note 22)		(1,080,005)	(686,074)
Fair value loss on financial liability at fair value through profit or loss (Note 22)		41,400	-
Gain on conversion of loan into unquoted redeemable convertible preference shares (Note 8)		-	(40,275)
Depreciation (Note 12)		505,293	218,720
Finance costs (Note 24)		-	227
Finance income (Note 24)		(191,150)	(13,892)
Write-off of accrued interest income (Note 9(ii))		-	13,892
Unrealised exchange loss		86,706	27
Change in working capital:			
Increase in trade and other receivables		(1,676,595)	(13,405)
Increase in other assets		(419,873)	(10,562)
Increase in deferred income		1,438,000	-
Increase in trade payables and other payables		7,255,381	1,803,753
Cash generated from/(used in) operations		3,336,089	(582,823)
Withholding tax paid		(15,012)	-
Net cash provided by/(used in) operating activities		3,321,077	(582,823)
Cash flows from investing activities			
Additions to property, plant and equipment		(610,793)	(722,707)
Additions to for intangible assets		(30,563,677)	(14,942,416)
Loan to director-related company ¹		(1,963,703)	(1,983,163)
Interest paid		-	(1,115,387)
Additions to other assets		(9,635)	(3,279)
Net cash used in investing activities		(33,147,808)	(18,766,952)
Cash flows from financing activities			
Proceeds from borrowings		35,000,000	21,000,000
Repayments of borrowings		-	(3,053,000)
Repayments of finance lease liabilities		(1,567)	(654)
Net cash provided by financing activities		34,998,433	17,946,346
Net increase/(decrease) in cash and cash equivalents		5,171,702	(1,403,429)
Cash and cash equivalents at the beginning of the financial year		3,336,384	4,736,807
Effects of exchange rate changes on cash and cash equivalents		2,263	3,006
Cash and cash equivalents at the end of the year	7	8,510,349	3,336,384

Non cash transactions:

During the financial year ended June 30, 2018, a part of the loan given to a related party Prestige Bioresearch Pte Ltd amounting to \$689,960 was satisfied via research services provided by the related party in connection with the development of certain intangible assets of the Group.

The accompanying notes form an integral part of these financial statements.

Prestige Biopharma Pte. Ltd. and subsidiaries
Consolidated Statement of Cash Flows
For Financial Year End June 30, 2019

Reconciliation in liabilities arising from financial activities for the years ended June 30, 2019 and 2018, are as follows:

(in USD)

	Liabilities from financing activities			
	Non-current lease liabilities \$	Borrowings \$	Financial liability at fair value through profit or loss \$	Total \$
At July 1, 2017	-	5,836,816	-	5,836,816
Proceeds	10,205	21,000,000	-	21,010,205
Repayments	(654)	(3,053,000)	-	(3,053,654)
Interest paid	-	(1,115,160)	-	(1,115,160)
Non-cash changes:				
Conversion of convertible loan	-	(17,300,000)	-	(17,300,000)
Waiver of interest from a shareholder	-	(1,327,763)	-	(1,327,763)
Exchange differences	-	1,156	-	1,156
Accrued interest	227	2,054,130	-	2,054,357
At June 30, 2018	9,778	6,096,179	-	6,105,957
Proceeds	-	34,603,600	396,400	35,000,000
Repayments	(1,567)	-	-	(1,567)
Non-cash changes:				
Conversion of convertible loan	-	(25,000,000)	-	(25,000,000)
Waiver of interest from a shareholder	-	(1,456,783)	-	(1,456,783)
Loss on financial liability at fair value of profit or loss	-	-	41,400	41,400
Exchange differences	-	(448)	-	(448)
Accrued interest	-	2,416,853	-	2,416,853
At June 30, 2019	8,211	16,659,401	437,800	17,105,412

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30, 2019

1. General information

Prestige Biopharma Pte Ltd (the "Company"), was incorporated in the Republic of Singapore, on July 13, 2015 with an issued share capital of 50,000 shares. The principal activities is to research, develop and market new anticancer drugs and biosimilars.

The principal activity of the subsidiaries of the Company is disclosed in Note 1.1.

As at June 30, 2019, its major shareholders are as follows:

	2019		2018	
	Number of shares	Percentage of ownership (%)	Number of shares	Percentage of ownership (%)
Park Soyeon	1,541,967	18.37%	3,217,013	40.88%
Kim Michael Jinwoo	1,541,967	18.37%	3,217,013	40.88%
Mayson Partners Pte Ltd	2,519,135	30.01%	-	-
Octava Fund Limited	1,566,304	18.66%	-	-
Dawnbright & Company Pte Ltd	830,957	9.90%	-	-
Octava Pte Ltd	250,000	2.98%	1,434,886	18.24%
Others	143,177	1.71%	-	-
	8,393,507	100.00%	7,868,912	100.00%

1.1 Consolidated subsidiaries

Details of the consolidated subsidiaries as at June 30, 2019 and 2018, are as follows:

	Location	2019	2018	Financial year end	Principal activities
		Ownership interest held by the Group (%)	Ownership interest held by the Group (%)		
Prestige Biopharma Australia Pty Ltd	Australia	100	100	June	Scientific Research Studies
Prestige Biopharma Belgium BVBA	Belgium	99	99	June	Scientific Research Studies

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30, 2019

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements requires the use of critical accounting estimates. Management also needs to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.1.1 Going concern assumption

As at June 30, 2019, the Group's current liabilities exceeded its current assets by \$13,376,016 (June 30, 2018: \$6,274,529, July 1, 2017: \$2,680,674). Notwithstanding this, the financial statements have been prepared on a going concern basis as the directors are of the opinion that the Group has sufficient funds to meet its obligations as and when they fall due. See Note 28 for funding received subsequent to the financial year ended June 30, 2019.

2.2 Changes in accounting policies and disclosures

On 1 July 2018, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the following:

(a) Adoption of FRS 115 Revenue from Contracts with Customers

The Group and Company has adopted the new standard retrospectively. The adoption of FRS 115 resulted in adjustments to the previously issued financial statements as explained below:

i) Presentation of contract liabilities

The Group and Company has changed the presentation of certain amounts in the statement of financial position as at June 30, 2018 on adopting FRS 115. Contract liabilities in relation to upfront milestone payments received on license agreements were previously presented as "Deferred revenue" of \$1,000,000 under FRS 18.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(b) Adoption of FRS 109 Financial Instruments

The Group and Company has adopted the new standard retrospectively.

The accounting policies for financial instruments under FRS 109 are disclosed Note 2.5.

(i) *Reclassification of financial assets from available-for-sale to FVPL*

Investments in preference shares of Prestige Biopharmaceuticals Co., Ltd amounting to \$5,444,794 were reclassified from the "available-for-sale" category to "FVPL" category.

Related cumulative fair value gains of \$744,794 were transferred from the fair value reserve to accumulated losses as at June 30, 2018, with \$726,349 reclassified from fair value reserve to profit or loss for the year ended June 30, 2018. As at July 1, 2017, \$18,455 was transfer from fair value reserve to accumulated losses.

(ii) *Impairment of financial assets*

The Group and Company has the following financial assets subject to the expected credit loss impairment model under FRS 109:

- Loans due from related parties and trade and other receivables at amortised cost.

The impairment methodology for each of these classes of financial assets under FRS 109 is as disclosed in Note 2.5 and Note 4.1.2.

(c) The effects on adoption of FRS 115 and FRS 109 are as follows:

Statement of financial position

Group As at June 30, 2018	Note	As at July 1, 2018 before adoption of FRS 115 and FRS 109, and after restatement in Note 29	Effects of applying FRS 115	Effects of applying FRS 109	As at July 1, 2018 after adoption of FRS 115 and FRS 109
		\$	\$	\$	\$
Non-current asset					
Available-for-sale financial asset	bi	5,444,794	-	(5,444,794)	-
Financial asset at fair value through profit or loss	bi	-	-	5,444,794	5,444,794
Non-current liabilities					
Deferred revenue	ai	(1,000,000)	1,000,000	-	-
Contract liabilities	ai	-	(1,000,000)	-	(1,000,000)
Equity					
Fair value reserve	bi	(744,794)	-	744,794	-
Accumulated losses	bi	5,158,849	-	(744,794)	4,414,055

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(c) The effects on adoption of FRS 115 and FRS 109 are as follows: (continued)

Statement of financial position

<u>Company</u> As at June 30, 2018	Note	As at July 1, 2018 before adoption of FRS 115 and FRS 109, and after restatement in Note 29	Effects of applying FRS 115	Effects of applying FRS 109	As at July 1, 2018 after adoption of FRS 115 and FRS 109
		\$	\$	\$	\$
Non-current asset					
Available-for-sale financial asset	bi	5,444,794	-	(5,444,794)	-
Financial asset at fair value through profit or loss	bi	-	-	5,444,794	5,444,794
Non-current liabilities					
Deferred revenue	ai	(1,000,000)	1,000,000	-	-
Contract liabilities	ai	-	(1,000,000)	-	(1,000,000)
Equity					
Fair value reserve	bi	(744,794)	-	744,794	-
Accumulated losses	bi	5,145,861	-	(744,794)	4,401,067

Statement of comprehensive income

<u>Group</u> For the financial year ended June 30, 2018	Note	For the year ended July 1, 2018 before adoption of FRS 115 and FRS 109, and after restatement in Note 29	Effects of applying FRS 109	For the year ended July 1, 2018 after adoption of FRS 115 and FRS 109
		\$	\$	\$
Other gains	bi	335,537	726,349	1,061,886
Other comprehensive income	bi	726,349	(726,349)	-

Statement of financial position

<u>Group and Company</u> As at June 30, 2017	Note	As at July 1, 2017 before adoption of FRS 115 and FRS 109, and after restatement in Note 29	Effects of applying FRS 109	As at July 1, 2017 after adoption of FRS 115 and FRS 109
		\$	\$	\$
Fair value reserve	bi	(18,445)	18,445	-
Accumulated losses	bi	2,403,763	(18,445)	2,385,318

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.2 Changes in accounting policies and disclosures (continued)

(d) New standards and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations that have been published that are not mandatory for annual reporting period commencing July 1, 2018 and have not been early adopted by the Group are set out below.

- FRS 116 *Leases (effective for the Group's annual period beginning on July 1, 2019)*

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. As at the reporting date, the Group has non-cancellable operating lease commitments of \$243,981 (Note 25). The Group is in the process of determining the impact of the adoption of this standard on its financial statements, however based on the Group's preliminary assessment, the Group does not expect the adoption of this standard to have a material impact to the financial statements of the Group in the period of initial adoption.

- Annual Improvement 2018 *(effective for the Group's annual period beginning on July 1, 2019)*

These improvements include:

FRS 23 *Borrowing Costs*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements in the period of initial adoption.

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.3 Consolidation

The Group has prepared the consolidated financial statements in accordance with *FRS 110 Consolidated Financial Statements*.

Subsidiaries

Subsidiaries are all 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred is measured at the fair values of the assets transferred, and identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. All other non-controlling interests are measured at fair values, unless otherwise required by other standards. Acquisition-related costs are expensed as incurred.

The excess of consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the profit or loss as a bargain purchase.

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

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interest to reflect their relative interest in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for a subsidiary because of a loss of control, any retained interest in the subsidiary is remeasured to its fair value with the changed in carrying amount recognised in profit or loss.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the "functional currency"). The consolidated financial statements are presented in US Dollar, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Translation of Group entities' financial statements

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

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.5 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss, and
- Amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when, and only when its business model for managing those assets changes.

(a) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(i) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in 'finance income' using the effective interest rate method.

(ii) Equity instruments

The Group subsequently measures all equity investments at fair value. Equity investments are classified as fair value through profit or loss with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses)", except for those equity securities which are not held for trading. Dividend income from such investments continue to be recognised in profit or loss as 'other income' when the right to receive payments is established.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.1.2 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and Derecognition

Regular way purchases and sales of financial assets are recognised or derecognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.6 Property, plant and equipment

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

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation of all property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

	Useful lives
Laboratory equipment	3 years
Furniture and fittings	3 years
Computers	3 years
Office equipment	3 years
Renovation	Lower of useful life and lease term

The assets' depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains/(losses)".

2.7 Intangible assets

Intangible assets, except for goodwill, are initially recognised at its historical cost, and carried at cost less accumulated amortisation and accumulated impairment losses.

Intellectual property rights, development costs and patents acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation will commence when the related product is ready for its intended use or sale.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.7 Intangible assets (continued)

New development projects are processed through phases of discovery which includes preclinical trial, phase 1 clinical trial, phase 2 clinical trial, phase 3 clinical trial, request for government approval, completion of government approval and sales of products. Development costs are recognised as intangible assets when all the following criteria are met:

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

Other development expenditure that do not meet the criteria listed above are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in the subsequent period.

2.8 Impairment of non-financial assets

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 in profit or loss 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.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.9 Financial Liabilities

(a) Classification and measurement

The Group's financial liabilities at fair value through profit or loss are financial instruments held for trading. A financial liability is held for trading if it is incurred principally for the purpose of repurchasing in the near term. A derivative that is not a designated as hedging instruments and an embedded derivative that is separated are also classified as held for trading.

The Group classifies non-derivative financial liabilities, except for financial liabilities at fair value through profit or loss, financial guarantee contracts and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition, as financial liabilities carried at amortised cost and present as 'trade and other payables' and 'borrowings' in the statement of financial position.

(b) Derecognition

Financial liabilities are removed from the statement of financial position when it is discharged, cancelled, expired or when the terms of an existing financial liability are substantially modified.

2.10 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

(a) Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(b) Convertible loans

The convertible loans of the Company comprise compound financial instruments and hybrid instruments. These instruments are convertible into equity instruments at the option of the holder.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.10 Borrowings (continued)

(b) Convertible loans (continued)

(i) Classification

Hybrid instruments

For convertible loans which are hybrid instruments, the total proceeds from convertible loans issued are allocated to the host debt liability component and the embedded derivative liability. The embedded derivative is separated from the host debt component and accounted for as a derivative liability as the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host debt instrument.

Compound financial instruments

For convertible loans which are compound financial instruments, the total proceeds from convertible loans issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

(ii) Measurement

Hybrid instruments

For hybrid instruments, the difference between the total proceeds and the embedded derivative component is allocated to the host debt component. The embedded derivative is subsequently measured at fair value through profit or loss. When the conversion option is exercised, the carrying amount of the host debt component is transferred to share capital.

The host debt component is recognised initially at its fair value. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.

Compound financial instruments

For compound financial instruments, the difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.10 Borrowings (continued)

(b) Convertible loans (continued)

(ii) Measurement (continued)

Compound financial instruments (continued)

The host debt component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible loans. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the loans.

2.11 Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and the increase in the provision due to the passage of time is recognised as finance costs in the statement of comprehensive income.

2.12 Current and deferred tax

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

The tax expense is measured at the amount expected to be paid to the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Group recognises current income tax on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.13 Current and deferred tax (continued)

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

The Group recognises a deferred tax liability on all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. In addition, the Group recognises a deferred tax asset for all deductible temporary differences arising from such investments to the extent that it is probable the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis.

2.14 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the development of intangible assets. This includes those costs on borrowings acquired specifically for the development of intangible assets, as well as those in relation to general borrowings used to finance the intangible assets

Where funds are borrowed generally and used for financing intangibles assets, the borrowing costs are eligible for capitalisation and can be determined by applying a capitalisation rate to the expenditure on the intangible assets. The capitalisation rate should be the weighted average of the borrowing rates applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring the intangible assets. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period.

2.15 Employee benefits

Post-employment benefits

The Group operates defined contribution plans.

For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on mandatory, contractual or voluntary basis. The Group has no further payment obligation once the contribution have been paid. The contribution are recognised as employee benefit expense when they are due.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

2. Significant accounting policies (continued)

2.16 Revenue recognition

(a) Sale of goods

Sales of pharmaceutical products are recognised at point in time when control of the products has transferred to its customer, being when the right to payment accrues, significant risks and rewards of ownership are transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) License fee

The Group grants exclusive rights to customers to register, market, manufacture, sell or distribute the Group's products in certain territories as specified in the license agreements. Consideration is received subject to the completion of certain milestones. License fees for the right to use the intellectual property are recognised at point in time when the license is granted to its customer, and there is substantially no unfulfilled obligation that could affect the functionality of the license. License fees for the distribution rights are recognised over time as the underlying sales are recorded by licensee.

2.17 Interest income

Interest income is recognised using the effective interest method and is recognised over time.

2.18 Lease

A lease is an agreement, whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period of time. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group are classified as operating leases. Payments made under operating leases are charge to profit or loss on a straight-line basis over the period of lease.

Leases where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30, 2019

2. Significant accounting policies (continued)

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.21 Segment Reporting

Information of each operating segment is reported in a manner consistent with the internal business segment reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

3. Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires the Group to make estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Impairment assessment of intangible assets*

On an annual basis, the Group and Company tests its intangible assets which have yet to be amortised for impairment. The recoverable amounts of the cash generating units ("CGUs") to which the intangible assets belong have been determined based on value-in-use calculations. The determination of the recoverable amounts of the CGUs requires significant judgement to be applied by management, particularly management's view of the forecasted revenue and the determination of the discount rate that should be applied in order to calculate the present values of the future cash flows.

As the intangible assets relate to products which are still under development, management determined the forecasted revenue primarily based on its ongoing discussions and negotiations with distributors which provides management with a view of the potential sales volumes and market prices of the products being developed. The discount rate that was applied to the forecasted cash flows was 18% (June 30, 2018: 18%, July 1, 2017: 18%).

Based on the impairment assessment performed by management on June 30, 2019, June 30, 2018 and July 1, 2017, no impairment charge was deemed necessary.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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3. Critical accounting estimates, assumptions and judgements (continued)

(a) Impairment assessment of intangible assets (continued)

For the financial year ended June 30, 2019, if the forecasted revenue is 20% lower than management's estimates, the Group would have recognised an impairment charge on the intangible assets amounting to \$1,964,463. If the discount rate had increased by 5% the Group would not have recognised an impairment charge.

For the financial year ended June 30, 2018, if the forecasted revenue is 20% lower than management's estimates, the Group would have recognised an impairment charge on the intangible assets amounting to \$2,922,859. If the discount rate had increased by 5% the Group would not have recognised an impairment charge.

(b) Fair value of financial asset at fair value through profit or loss

The fair value of the financial asset at fair value through profit or loss as at June 30, 2019, which relates to the Group's and Company's investment in ordinary shares (2018: Redeemable Convertible Preferred Stock) of an unquoted related party has been determined based on a valuation performed by an independent professional firm using the Discounted Cash Flow Model (2018: Binomial Option Pricing Model). The inputs to this model are derived from observable market data where possible, but where this is not feasible, a degree of judgment has been applied in determining the appropriate inputs. The key assumptions applied in determination of the valuation of this unquoted financial asset is described in more detail in Note 5.3.

Based on the valuation performed, the carrying amount of the financial asset at fair value through profit or loss as at June 30, 2019 is \$8,037,931 (June 30, 2018: \$5,444,794, July 1, 2017: \$1,748,455).

(c) Capitalisation of development costs

The Group incurs costs to develop its new biosimilar drugs, HD201 and HD204. Management has applied its judgement and has determined that the criteria under FRS 38 *Intangible Assets* relating to the capitalisation of internally generated intangible assets, including the technical feasibility of the drug, is satisfied for a biosimilar after the commencement of Phase 1 clinical trials. As at June 30, 2019, the carrying amount of development costs capitalised by the Group at the end of the reporting period was \$52,889,704 (June 30, 2018: \$20,268,189, July 1, 2017: \$3,589,319). In the event that the development of the drug is terminated, these costs will be expensed to profit or loss.

Prestige Biopharma Pte Ltd. and subsidiaries
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3. Critical accounting estimates, assumptions and judgements (continued)

(d) *Expected credit losses on a loan due from a related party*

The Group has described how it determines the expected credit losses ("ECL") on its financial assets in Note 4.1.2.

For the financial year ended June 30, 2018, the Group applied its judgement and determined that a loan due from a related party, Prestige Bioresearch Pte Ltd (Note 9), has been credit-impaired following a review of the financial information of the related party that was available and which indicated that the related party was facing significant financial difficulty. As a result, as at June 30, 2018, the Group recorded an allowance for impairment on this loan amounting to \$2,641,274 based on the life-time expected credit loss on this loan. The Group has determined that this loan continues to be credit-impaired as at June 30, 2019 based on the financial information of the related party that is available.

During the financial year ended June 30, 2019, the Company extended an additional loan amounting to \$2,154,853 in conjunction with the planned changes in the business model of PBR which is expected to allow the Company to recover its loans through the R&D services which Prestige Bioresearch Pte. Ltd. will provide to the Company in connection with the Company's development of its pharmaceutical products.

In its assessment of the lifetime expected credit losses, management has performed a discounted cash flow analysis under various scenarios and the key assumptions related to management's expectation of the revenue. Based on the assessment performed by management, the lifetime expected credit losses on the loan to Prestige Bioresearch Pte. Ltd. remains at \$2,641,274 as at June 30, 2019. If the forecasted revenue is 20% lower than management's estimates, the Group will recognise an impairment charge on the loan amounting to \$927,756. If the discount rate increased by 20%, no additional impairment charge will be recognised.

As of June 30, 2019, the Company has continued to recorded the lifetime expected credit loss of \$2,641,274 (Note 4.1.2)

If, in subsequent periods there is objective evidence of a change in the financial condition of this related party, there may be a change to the expected credit losses and corresponding allowance for impairment on this loan in the period in which such a determination is made.

(e) *Financial liability at fair value through profit or loss*

The financial liability at fair value through profit or loss relates to the embedded derivative on the Company's convertible loan from Octava Pte. Ltd.. The fair value of this embedded derivative has been determined based on a valuation performed by an independent professional firm using the Binomial Option Pricing Model. The inputs to this model are derived from observable market data where possible, but where this is not feasible, a degree of judgment has been applied in determining the appropriate inputs. The key assumptions applied in determination of the valuation of this embedded derivative are described in more detail in Note 5.3.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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4. Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise any adverse effects on the financial performance of the Group.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews and approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

4.1.1 Market risk

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the Singapore dollar, the Euro and Korean Won. Foreign exchange risk arises from financial assets and liabilities denominated in currencies other than functional currency.

At present, the Group does not have any formal policy for hedging against foreign exchange risk. The Group however manages its foreign exchange risk through regular monitoring of relevant currencies in order to minimise currency risk and to reduce volatility of foreign exchange gains/losses.

As this risk arises mainly from trade and other receivables, cash, trade and other payables and borrowings denominated in foreign currencies, management reduces the risk by monitoring fluctuations in the foreign exchange market.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The Group has certain investments in foreign entities, whose net assets are exposed to foreign currency translation risk. The Group's financial assets and liabilities exposed to foreign currency risk as at June 30, 2019, 2018 and July 1, 2017 are as follows:

<i>(in USD)</i>		2019		2018 (restated)		2017 (restated)	
		Foreign currency	USD	Foreign currency	USD	Foreign currency	USD
<u>Group</u>							
Financial assets							
Trade and other receivables	SGD	1,577,056	1,144,911	-	-	768,314	549,196
Cash and bank balances	SGD	683,889	496,489	24,448	18,627	170,706	122,021
Cash and bank balances	EUR	226,324	252,397	-	-	-	-
Financial liabilities							
Trade and other payables	SGD	1,760,973	1,278,431	410,359	300,629	160,115	116,025
Trade and other payables	EUR	3,745,611	4,177,105	854,544	995,948	-	-
Trade and other payables	KRW	-	-	120,000,000	107,429	120,000,000	104,695
Borrowings	SGD	57,402	41,673	47,337	34,679	38,931	27,282

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The Company's financial assets and liabilities exposed to foreign currency risk as at June 30, 2019, 2018 and July 1, 2017 are as follows:

<i>(in USD)</i>		2019		2018 (restated)		2017 (restated)	
		Foreign currency	USD	Foreign currency	USD	Foreign currency	USD
<u>Company</u>							
Financial assets							
Trade and other receivables	SGD	1,577,056	1,144,911	-	-	768,314	549,196
Cash and bank balances	SGD	683,889	496,489	24,448	18,627	170,706	122,021
Cash and bank balances	EUR	226,324	252,397	-	-	-	-
Financial liabilities							
Trade and other payables	SGD	1,760,973	1,278,431	410,359	300,629	160,115	116,025
Trade and other payables	EUR	3,745,611	4,177,105	854,544	995,948	-	-
Trade and other payables	KRW	-	-	120,000,000	107,429	120,000,000	104,695
Borrowings	SGD	57,402	41,673	47,337	34,679	38,931	27,282

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The table below summarises the impact of currency changes against the US Dollar on the Group's equity and post-tax profit for the year. The analysis is based on the assumption that Singapore Dollar ("SGD"), Euro ("EUR"), Australian Dollar ("AUD") and Korean Won ("KRW") has strengthened/weakened by 10% with all other variables held constant.

	2019		2018 (restated)	
	Profit after tax \$	Other comprehensive income \$	Profit after tax \$	Other comprehensive income \$
<u>Group</u>				
SGD against USD				
- Strengthened	32,130	32,130	(31,668)	(31,668)
- Weakened	(32,130)	(32,130)	31,668	31,668
EUR against USD				
- Strengthened	(392,471)	(392,471)	(99,595)	(99,595)
- Weakened	392,471	392,471	99,595	99,595
KRW against USD				
- Strengthened	-	-	(10,743)	(10,743)
- Weakened	-	-	10,743	10,743
<u>Company</u>				
SGD against USD				
- Strengthened	32,130	32,130	(31,668)	(31,668)
- Weakened	(32,130)	(32,130)	31,668	31,668
EUR against USD				
- Strengthened	(392,471)	(392,471)	(99,595)	(99,595)
- Weakened	392,471	392,471	99,595	99,595
KRW against USD				
- Strengthened	-	-	(10,743)	(10,743)
- Weakened	-	-	10,743	10,743

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30,2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.1 Market risk (continued)

(b) Price risk

The Group and Company are exposed to equity securities price risk arising from investments in unquoted ordinary shares (June 30, 2018 and July 1, 2017: redeemable convertible preference shares) held by the Group and Company that are classified as financial asset at fair value through profit or loss in the statements of financial position (Note 8).

(c) Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The objective of interest rate risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group obtains financing primarily from loans from shareholders and a third party. For the financial years ended June 30, 2019 and June 30, 2018, the finance cost relating to the loans have been capitalised on the qualifying intangible assets and as a result, a reasonable possible change to the interest rates would not have a material impact on post-tax profit. The group will cease capitalising its finance cost when all the activities necessary to prepare the qualifying intangible assets are complete.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents as well as credit exposures on outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition through the assessment of the credit quality of the debtor, taking into account its financial position, past experience and other relevant factors.

The Group's maximum exposure to credit risk as at June 30, 2019, 2018 and July 1, 2017 are as follows:

<i>(in USD)</i>	2019	2018	2017
		(restated)	(restated)
<u>Group</u>	\$	\$	\$
Cash and cash equivalents	8,510,349	3,336,384	4,736,807
Financial assets at fair value through profit and loss	8,037,931	5,444,794	1,748,445
Trade and other receivables	10,344,853	1,013,405	1,850,000
Other assets	55,655	46,020	42,741
<u>Company</u>			
Cash and cash equivalents	7,753,758	3,278,094	4,736,807
Financial assets at fair value through profit and loss	8,037,931	5,444,794	1,748,445
Trade and other receivables	13,619,741	1,013,405	1,850,000
Other assets	55,655	46,020	42,741

Prestige Biopharma Pte Ltd. and subsidiaries

Notes to the Financial Statements

For Financial Year End June 30,2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Credit risk (continued)

For the financial years ended June 30, 2019 and June 30, 2018, the financial assets of the Group that are subject to more than immaterial credit losses relate to a loan due from from a related party, Prestige Bioresearch Pte Ltd (Note 9).

In determining the expected credit losses ("ECL") on its financial assets, the Group considers the stage in which the asset is in:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 ECL will be the credit loss that is expected to result from a default occurring within the next 12 months.
- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 ECL will be the life-time expected credit loss arising from a default during the remaining life of the asset.
- Stage 3, if it has been credit-impaired with an objective evidence of default. Stage 3 ECL are also measured as life-time expected credit loss.

ECLs are probability-weighted estimates of credit losses. The ECL associated with the loans and other receivables of the Group is a product of its probability of default, loss given default and exposure at default discounted using the original effective interest rate to the reporting date.

In calculating the expected credit losses for the loan due from the related party, the Group considers whether there is any significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable forward-looking information such as actual or expected significant changes in the operating results of the related party.

The criteria that the Group uses to determine whether a financial asset is in default include:

- Significant financial difficulty, including breach of covenants and/ or financial conditions;
- Granting of a concession, that the Group would not otherwise consider, for economic or legal reasons relating to the borrower's financial difficulty; and
- High probability of bankruptcy.

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of future recoveries. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.2 Credit risk (continued)

The Group applied its judgement and determined that the loan due from a related party has been credit-impaired. This followed a review of the financial information of the related party that was available and which indicated that the related party was facing significant financial difficulty as at June 30, 2018. As at June 30, 2018, the Group determined that the loan due from the related party remains in stage 3 and accordingly recorded an allowance for impairment on this loan amounting to \$2,641,274 based on the life-time expected credit loss on this loan.

For the financial year ended June 30, 2019, the Group had determined that there were no changes in credit risk and the life-time expected credit loss of \$2,641,274 continued to be recorded.

Changes in the loss allowances are as follows:

<i>In USD</i>	Stage 3 \$	Total \$
Group and Company		
2019		
Opening and closing balance as at June 30, 2019	<u>2,641,274</u>	<u>2,641,274</u>
2018, as restated		
Opening balance	2,467,771	2,467,771
Charged to profit or loss:		
Allowance for impairment	<u>173,503</u>	<u>173,503</u>
Closing balance as at June 30, 2018	<u>2,641,274</u>	<u>2,641,274</u>

Trade receivables are subject to immaterial credit loss.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

4. Financial risk management (continued)

4.1 Financial risk factors (continued)

4.1.3 Liquidity risk

Maintaining optimal liquidity is important given that the business requires significant investment in product development. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Details of the Group's liquidity risk analysis as at June 30, 2019, 2018 and July 1, 2017 are included in the table below. The amounts disclosed are the contractual undiscounted cash flows.

<i>(in USD)</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
<u>Group</u>	\$	\$	\$	\$
2019				
Financial liability at fair value through profit or loss	437,800	-	-	-
Borrowings	16,617,728	-	-	435,571
Trade and other payables	12,188,783	8,211	-	-
2018, as restated				
Borrowings	6,061,500	-	-	444,744
Trade and other payables	4,791,873	9,778	-	-
2017, as restated				
Borrowings	5,809,534	-	-	444,744
Trade and other payables	3,676,440	-	-	-
<u>Company</u>				
2019				
Financial liability at fair value through profit or loss	437,800	-	-	-
Borrowings	16,617,728	-	-	435,571
Trade and other payables	12,142,703	8,211	-	-
2018, as restated				
Borrowings	6,061,500	-	-	444,744
Trade and other payables	4,781,028	9,778	-	-
2017, as restated				
Borrowings	5,809,534	-	-	444,744
Trade and other payables	3,676,440	-	-	-

Prestige Biopharma Pte Ltd. and subsidiaries
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4.2 Capital risk management

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

In order to maintain or adjust the capital structure, the Group may make borrowings, issue new shares or sell assets to increase or reduce debt as necessary. The fair value of non-current borrowings and loans to related parties are disclosed in Note 5.1.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is borrowings and derivative financial instruments less cash and cash equivalents. Total capital is 'equity' as shown in the consolidated statement of financial position plus net debt.

The gearing ratios at June 30, 2019, 2018 and July 1 2017 were as follows:

<i>(in USD)</i>	2019	2018 (restated)	2017 (restated)
		\$	\$
<u>Group</u>			
Financial liability at fair value through profit or loss	437,800	-	-
Borrowings	16,659,401	6,096,179	5,836,816
Less: Cash and cash equivalents	(8,510,349)	(3,336,384)	(4,736,807)
Net Debt	8,586,852	2,759,795	1,100,009
Total Equity	50,393,798	25,114,074	8,513,171
Total Capital	58,980,650	27,873,869	9,613,180
Gearing ratio	15%	10%	11%
<u>Company</u>			
Financial liability at fair value through profit or loss	437,800	-	-
Borrowings	16,659,401	6,096,179	5,836,816
Less: Cash and cash equivalents	(7,753,758)	(3,278,094)	(4,736,807)
Net Debt	9,343,443	2,818,085	1,100,009
Total Equity	50,296,817	25,125,185	8,513,171
Total Capital	59,640,260	27,943,270	9,613,180
Gearing ratio	16%	10%	11%

The Group and Company are not subject to any externally imposed capital requirements.

Prestige Biopharma Pte Ltd. and subsidiaries
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5. Fair value

5.1 Fair value of financial instruments by category

Carrying amount and fair value of financial instruments by category as at June 30, 2019, 2018 and July 1, 2017 are as follows:

(in USD)

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	\$	\$	\$	\$
2019				
Financial assets, at FVPL	8,037,931	8,037,931	8,037,931	8,037,931
Financial liabilities, at FVPL	437,800	437,800	437,800	437,800
Financial assets, at amortised cost	18,910,857	21,429,154	18,910,857	21,429,154
Financial liabilities, at amortised cost	28,856,395	28,810,314	28,856,395	28,810,314
2018, as restated				
Financial assets, at FVPL	5,444,794	5,444,794	5,444,794	5,444,794
Financial assets, at amortised cost	4,395,809	4,337,519	4,395,809	4,337,519
Financial liabilities, at amortised cost	10,897,830	10,886,985	10,897,830	10,886,985
2017, as restated				
Financial assets, at FVPL	1,748,445	1,748,445	1,748,445	1,748,445
Financial assets, at amortised cost	6,629,548	6,629,548	6,629,548	6,629,548
Financial liabilities, at amortised cost	9,513,256	9,513,256	9,513,256	9,513,256

The carrying values of financial assets and liabilities at amortised cost approximate their fair value. The fair value of non-current financial assets and liabilities are estimated by discounting their future contractual cash flows at their current market interest rates available for similar financial instruments.

5.2 Fair value hierarchy

Items that are measured at fair value or for which the fair value is disclosed are categorised by the fair value hierarchy levels, and the defined levels are as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- All inputs other than quoted prices included in level 1 that are observable (either directly that is, prices, or indirectly that is, derived from prices) for the asset or liability (Level 2).
- Unobservable inputs for the asset or liability (Level 3).

Prestige Biopharma Pte Ltd. and subsidiaries
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5. Fair value (continued)

5.2 Fair value hierarchy (continued)

Fair value hierarchy classifications of the financial instruments that are measured at fair value as at June 30, 2019 are as follows:

<i>(in USD)</i>	Level 3
<u>Group</u>	\$
2019	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	8,037,931
Financial liability at fair value through profit or loss	<u>437,800</u>
2018, as restated	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	<u>5,444,794</u>
2017, as restated	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	<u>1,748,445</u>
<u>Company</u>	
2019	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	8,037,931
Financial liability at fair value through profit or loss	<u>437,800</u>
2018, as restated	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	<u>5,444,794</u>
2017, as restated	
Financial assets/liabilities that are measured at fair value	
Financial asset at fair value through profit or loss	<u>1,748,445</u>

Prestige Biopharma Pte Ltd. and subsidiaries
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5. Fair value (continued)

5.3 Valuation techniques and the inputs

The Company engaged external, independent and qualified valuers to determine the fair value of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss for the financial year ended June 30, 2019.

For the valuations performed by the qualified valuer, management reviewed the appropriateness of the valuation methodologies, assumptions and reliability of the range of inputs. The Company evaluates significant changes in fair value measurements from period to period.

Financial asset at fair value through profit or loss

The fair value of the ordinary shares (June 30, 2018: redeemable convertible preference shares) have been established using the Discounted Cash Flow Model (June 30, 2018: Binomial Option Pricing Model) and is classified as a level 3 valuation.

For the year ended 30 June 2019, key inputs to the Discounted Cash Flow Model comprises the weighted average cost of capital, terminal growth rate and forecasted revenue used to calculate the present value of the future cash flows of the asset.

Forecasted revenue is based on management's latest discussions and negotiations with distributors which provides management with a view of its expected market share and selling prices of the products being developed.

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For Financial Year End June 30, 2019

5. Fair value (continued)

5.3 Valuation techniques and the inputs (continued)

Financial asset at fair value through profit or loss (continued)

Details of the valuation technique and inputs used in the level 3 fair value measurement category are as follows:

(in USD)

<u>Group and Company</u>	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
June 30, 2019					
Ordinary shares	\$ 8,037,931	3	Discounted cash flow	Weighted average cost of capital Revenue Terminal growth rate	16.8% 4,016,000-114,929,000/annum 1%
June 30, 2018, as restated					
Unquoted redeemable converted preference shares	\$ 5,444,794	3	Binomial option pricing model	Price of the underlying asset Weighted average cost of capital Terminal growth rate Risk-adjusted interest rate	\$39,638/share 18.2% 1% 19.51-19.72%

As the Group and Company invested in the redeemable convertible preference shares in May 2017 for the financial year ended June 30, 2017, the cost of the redeemable convertible preference shares has been determined to approximate its fair value on July 1, 2017.

The table below summarises the impact of changes to inputs on the Group's post-tax profit for the year based on a change of 0.5% with all other variables held constant.

(in USD)

	Change applied	Effects on the post tax profit	
		Increase/ (Decrease) If input increase	Increase/ (Decrease) If input decrease
<u>Group and Company</u>	%	\$	\$
June 30, 2019			
Weighted average cost of capital	0.50	(355,231)	379,561
Revenue	5.00	2,267,760	(1,142,117)
Terminal growth rate	0.50	258,134	(242,315)
June 30, 2018, as restated			
Price of the underlying asset	0.50	19,751	(19,745)
Weighted average cost of capital	0.50	(275,920)	304,886
Terminal growth rate	0.50	184,437	(170,553)
Risk-adjusted interest rate	0.50	(17,665)	18,127

Prestige Biopharma Pte Ltd. and subsidiaries
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5. Fair value (continued)

5.3 Valuation techniques and the inputs (continued)

Financial liability at fair value through profit or loss

The fair value of the embedded derivative (Note 16) has been established using the Binomial Option Pricing Model and is classified as a level 3 valuation.

For the year ended June 30, 2019, key inputs to the Binomial Option Pricing Model comprises the volatility and the risk free interest rate.

Details of the valuation technique and inputs used in the level 3 fair value measurement category are as follows:

(in USD)

	Fair value	Level	Valuation techniques	Inputs	Range of inputs (weighted average)
<u>Group and Company</u>					
2019					
Derivative financial instrument	437,800	3	Binomial Option Pricing Model	Volatility Discount rate	100% 2.12%

The table below summarises the impact of changes to inputs on the Group's post-tax profit for the year with all other variables held constant.

(in USD)

	Change applied	Effects on the post tax profit Increase/ (Decrease) If input increase	Increase/ (Decrease) If input decrease
<u>Group and Company</u>	%	\$	\$
2019			
Volatility	10.00	(161,800)	134,900
Risk free interest rate	0.50	1,500	(1,800)

Prestige Biopharma Pte Ltd. and subsidiaries
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6. Financial instruments by category

6.1 Carrying amounts of financial instruments by category

Carrying amounts of financial assets and liabilities by category as at June 30, 2019 and 2018 and July 1, 2017 are as follows:

(in USD)

	June 30, 2019			
	Group		Company	
	Financial assets at amortised cost	Financial asset at fair value through profit and loss	Financial assets at amortised cost	Financial asset at fair value through profit and loss
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	8,510,349	-	7,753,758	-
Financial asset at fair value through profit and loss	-	8,037,931	-	8,037,931
Other assets	55,655	-	55,655	-
Trade and other receivables	10,344,853	-	13,619,741	-
	<u>18,910,857</u>	<u>8,037,931</u>	<u>21,429,154</u>	<u>8,037,931</u>

	June 30, 2019			
	Group		Company	
	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss
	\$	\$	\$	\$
Financial liabilities				
Borrowings	16,659,401	-	16,659,401	-
Financial liability at fair value through profit and loss	-	437,800	-	437,800
Trade and other payables	12,196,994	-	12,150,914	-
	<u>28,856,395</u>	<u>437,800</u>	<u>28,810,315</u>	<u>437,800</u>

Prestige Biopharma Pte Ltd. and subsidiaries
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6. Financial instruments by category (continued)

6.1 Carrying amounts of financial instruments by category (continued)

Carrying amounts of financial assets and liabilities by category as at June 30, 2019 and 2018 and July 1, 2017 are as follows:

(in USD)

	June 30, 2018			
	Group		Company	
	Financial assets at amortised cost	Financial asset at fair value through profit and loss	Financial assets at amortised cost	Financial asset at fair value through profit and loss
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,336,384	-	3,278,094	-
Financial asset at fair value through profit and loss	-	5,444,794	-	5,444,794
Other assets	46,020	-	46,020	-
Trade and other receivables	1,013,405	-	1,013,405	-
	<u>4,395,809</u>	<u>5,444,794</u>	<u>4,337,519</u>	<u>5,444,794</u>

	June 30, 2018			
	Group		Company	
	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss
	\$	\$	\$	\$
Financial liabilities				
Borrowings	6,096,179	-	6,096,179	-
Trade and other payables	4,801,651	-	4,790,806	-
	<u>10,897,830</u>	<u>-</u>	<u>10,886,985</u>	<u>-</u>

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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6. Financial instruments by category (continued)

6.1 Carrying amounts of financial instruments by category (continued)

Carrying amounts of financial assets and liabilities by category as at June 30, 2019 and 2018 and July 1, 2017 are as follows:

(in USD)

	July 1, 2017			
	Group		Company	
	Financial assets at amortised cost	Financial asset at fair value through profit and loss	Financial assets at amortised cost	Financial asset at fair value through profit and loss
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	4,736,807	-	4,736,807	-
Financial asset at fair value through profit and loss	-	1,748,445	-	1,748,445
Other assets	42,741	-	42,741	-
Trade and other receivables	1,850,000	-	1,850,000	-
	<u>6,629,548</u>	<u>1,748,445</u>	<u>6,629,548</u>	<u>1,748,445</u>

	July 1, 2017			
	Group		Company	
	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss	Financial liabilities at amortised cost	Financial liability at fair value through profit or loss
	\$	\$	\$	\$
Financial liabilities				
Borrowings	5,836,816	-	5,836,816	-
Trade and other payables	3,676,440	-	3,676,440	-
	<u>9,513,256</u>	<u>-</u>	<u>9,513,256</u>	<u>-</u>

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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6. Financial instruments by category (continued)

6.2 Items of income, expense, gains or losses by category of financial instruments

Income, expense and gains or losses on each category of financial instruments for the years ended June 30, 2019 and 2018, are as follows:

(in USD)

	2019	2018
	\$	\$
Financial assets measured at amortised cost		
Interest income	191,150	13,892
Impairment loss on financial assets	-	(173,503)
Financial assets measured at fair value through profit and loss		
Gain on conversion of loan into unquoted redeemable convertible preference shares	-	40,275
Gain on conversion of redeemable convertible preference shares to ordinary shares	1,513,132	-
Fair value gains	1,080,005	686,074
Financial liabilities measured at amortised cost		
Interest expense	-	(227)
Financial liability measured at fair value through profit and loss		
Fair value loss	(41,400)	-

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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7. Cash and cash equivalents

Cash and cash equivalents as at June 30, 2019, 2018 and July 1, 2017 consists of:

(in USD)

	Group		
	2019	2018	2017
	\$	\$	\$
Cash at bank and on hand	8,510,349	3,336,384	4,736,807

	Company		
	2019	2018	2017
	\$	\$	\$
Cash at bank and on hand	7,753,758	3,278,094	4,736,807

8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss as at June 30, 2019, 2018 and July 1, 2017 include the following classes of financial assets:

(in USD)

	Group		
	2019	2018	2017
	\$	\$	\$
		(restated)	(restated)
Investment in unquoted ordinary shares	8,037,931	-	-
Investment in unquoted redeemable convertible preference shares	-	5,444,794	1,748,445
	8,037,931	5,444,794	1,748,445

	Company		
	2019	2018	2017
	\$	\$	\$
		(restated)	(restated)
Investment in unquoted ordinary shares	8,037,931	-	-
Investment in unquoted redeemable convertible preference shares	-	5,444,794	1,748,445
	8,037,931	5,444,794	1,748,445

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

8. Financial assets at fair value through profit or loss (continued)

Changes in financial assets at fair value through profit or loss for the years ended June 30, 2019 and 2018 are as follows:

(in USD)

	30 June	
	2019	2018
	\$	\$
		(restated)
<u>Group and Company</u>		
Beginning of financial year	5,444,794	1,748,445
Additions (Note 9(ii))	-	2,970,000
Gain on conversion of loan into unquoted redeemable convertible preference shares	-	40,275
Gain on conversion of redeemable convertible preference shares to ordinary shares (Note 22)	1,513,132	-
Fair value gains (Note 22)	1,080,005	686,074
End of financial year	<u>8,037,931</u>	<u>5,444,794</u>

On December 31, 2018, the Group converted the redeemable convertible preferences shares held in its related party, Prestige Biopharmaceuticals Co., Ltd, into ordinary shares at a conversation ratio of 1:1. Upon conversion of the redeemable convertible preference shares to ordinary shares, the Group recorded a gain of \$1,513,132.

During the financial year ended June 30, 2018, the Group exercised the options to convert a loan from related party into unquoted redeemable convertible preference shares of the related party Prestige Biopharmaceuticals Co., Ltd. (Note 9). Upon conversion of the loans during the financial year ended June 30, 2018, the Group recorded a gain of \$40,275 (Note 22).

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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9. Trade and other receivables

(in USD)

	Group			Company		
	30 June	2018	1 July	30 June	2018	1 July
	2019	2018	2017	2019	2018	2017
	\$	\$	\$	\$	\$	\$
		(restated)	(restated)		(restated)	(restated)
Trade receivables						
- Third parties	7,350,000	1,000,000	-	7,350,000	1,000,000	-
- Prestige Biopharmaceuticals Co., Ltd (iii)	840,000	-	-	840,000	-	-
Other receivables						
- Amount due from subsidiaries	-	-	-	3,274,888	-	-
- Amount due from a related party	-	13,405	-	-	13,405	-
- Loans to related parties:						
- Prestige Bioresearch Pte Ltd (i)	4,796,127	2,641,274	4,317,771	4,796,127	2,641,274	4,317,771
- Less: Allowance for impairment of receivables (Note 4.1.2)	(2,641,274)	(2,641,274)	(2,467,771)	(2,641,274)	(2,641,274)	(2,467,771)
	2,154,853	-	1,850,000	2,154,853	-	1,850,000
- Prestige Biopharmaceuticals Co., Ltd (ii)	-	-	-	-	-	-
Less: loans to related parties (non-current portion)	10,344,853	1,013,405	1,850,000	13,619,741	1,013,405	1,850,000
Current portion	(2,154,853)	-	-	(5,429,741)	-	-
	8,190,000	1,013,405	1,850,000	8,190,000	1,013,405	1,850,000

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
For Financial Year End June 30, 2019

9. Trade and other receivables (continued)

None of the other financial assets are either past due or impaired, and the Group does not hold any collateral in relation to these assets.

- (i) The loan to Prestige Bioresearch Pte Ltd is unsecured, bears interest at 1.5% per month and will be repayable in full 10 years from the date of disbursement. Details of the allowance for impairment is set out in Note 4.1.2.
- (ii) During the financial year ended June 30, 2017, the Group had extended a loan of \$1,730,000 to Prestige Biopharmaceuticals Co., Ltd which bears interest of 3% per month, is unsecured and repayable in full in 10 years from the date of disbursement. The terms of the loan included an option for the Group to convert the loan into shares of Prestige Biopharmaceuticals Co., Ltd, based on a conversion price to be agreed mutually by the parties any time during the tenure of the loan. Under an addendum to this loan agreement, the Group would waive all accrued interest on the outstanding loan if the Group converts the loan into shares of Prestige Biopharmaceuticals Co., Ltd during the tenure of the loan. During the financial year, the parties agreed to convert the loan amounting to \$1,730,000 into 53,950 redeemable convertible preference shares ("RCPS"). Accordingly, the Group wrote off accrued interest income of \$82,998.

During the financial year ended June 30, 2018, the Group had extended a loan of \$2,970,000 to Prestige Biopharmaceuticals Co., Ltd which bears interest of 1.5% per month, is unsecured and repayable in full in 10 years from the date of disbursement. The terms of the loan included an option for the Group to convert the loan into shares of Prestige Biopharmaceuticals Co., Ltd, based on a conversion price to be agreed mutually by the parties any time during the tenure of the loan. Under an addendum to this loan agreement, the Group would waive all accrued interest on the outstanding loan if the Group converts the loan into shares of Prestige Biopharmaceuticals Co., Ltd during the tenure of the loan. During the year ended June 30, 2018, the parties agreed to convert the loan amounting to \$3,000,000 into 87,923 redeemable convertible preference shares ("RCPS"). Accordingly, the Group wrote off accrued interest income of \$13,892.

- (iii) On July 9, 2018, the Company entered into a collaboration agreement with Prestige Biopharmaceuticals Co., Ltd, a company related by certain common directors and shareholders, to jointly develop and commercialise two biosimilar drugs, HD201 and HD204. As part of this agreement, the Company and Prestige Biopharmaceuticals Co., Ltd share the net sales related to the two biosimilar drugs in the ratio of 84%:16% respectively. Prestige Biopharmaceuticals Co., Ltd has committed to contribute up to a maximum of \$10,000,000 in development expenses in connection with the collaboration agreement.

The movements in the loans to Prestige Biopharmaceuticals Co., Ltd are as follows:

<i>(in USD)</i>	2019	2018
	\$	\$
Beginning of financial year	-	-
Additions	-	2,970,000
Accrued interest income	-	13,892
Converted to redeemable convertible preference shares (Note 8)	-	(2,970,000)
Write-off of accrued interest income (Note 22)	-	(13,892)
End of financial year	-	-

Prestige Biopharma Pte Ltd. and subsidiaries
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10. Other assets

(in USD)

	2019	30 June 2018	1 July 2017
	\$	\$ (restated)	\$ (restated)
Prepaid expenses	557,165	18,449	-
Deposits	55,655	46,020	42,741
Goods and service tax receivables	91,764	210,606	218,493
	704,584	275,075	261,234
Less: non-current portion	(55,655)	(46,020)	(42,741)
Current portion	648,929	229,055	218,493

(in USD)

	2019	30 June 2018	1 July 2017
	\$	\$ (restated)	\$ (restated)
Prepaid expenses	555,036	20,660	-
Deposits	55,655	46,020	42,741
Goods and service tax receivables	63,362	210,058	218,493
	674,053	276,738	261,234
Less: non-current portion	(55,655)	(46,020)	(42,741)
Current portion	618,398	230,718	218,493

11. Investment in subsidiaries

(in USD)

	2019	2018	2017
	\$	\$	\$
Company			
Unquoted ordinary shares, at cost			
At July 1	56,893	-	-
Acquisition	35,822	56,893	-
At June 30	92,715	56,893	-

Details of the subsidiaries are as follows

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective Interest held		Cost of investment	
			2019	2018	2019	2018
In (USD)						
Prestige Biopharma Australia Pty Ltd	Scientific research services	Australia	100%	100%	35,896	74
Presitge Biopharma Belgium BVBA	Scientific research services	Belgium	100%	100%	56,819	56,819
					92,715	56,893

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2019 and 2018

12. Property, plant and equipment

Details of property and equipment as at June 30, 2019, 2018 and July 1, 2017 are as follows:

(in USD)

Group and Company

	2019			2018			2017		
	Cost \$	Accumulated depreciation \$	Net book value \$	Cost \$ (restated)	Accumulated depreciation \$	Net book value \$ (restated)	Cost \$	Accumulated depreciation \$	Net book value \$
Laboratory equipment	1,570,202	(748,502)	821,700	988,901	(294,974)	693,927	291,030	(121,263)	169,767
Furniture and fittings	27,610	(18,488)	9,122	26,765	(9,517)	17,248	23,029	(640)	22,389
Computer	34,651	(6,719)	27,932	6,004	(795)	5,209	-	-	-
Office equipment	12,704	(6,933)	5,771	12,704	(2,699)	10,005	-	-	-
Renovation	107,714	(67,732)	39,982	107,714	(35,096)	72,618	93,550	(2,458)	91,092
	<u>1,752,881</u>	<u>(848,374)</u>	<u>904,507</u>	<u>1,142,088</u>	<u>(343,081)</u>	<u>799,007</u>	<u>407,609</u>	<u>(124,361)</u>	<u>283,248</u>

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

12. Property, plant and equipment (continued)

Changes in property, plant and equipment for the years ended June 30, 2019 and 2018 are as follows:

(in USD)

Group and Company

	Laboratory equipment \$	Furniture and fittings \$	Computer \$	Office equipment \$	Renovation \$	Total \$
2019						
Opening net book value	693,927	17,248	5,209	10,005	72,618	799,007
Additions	581,301	845	28,647	-	-	610,793
Depreciation	(453,528)	(8,971)	(5,924)	(4,234)	(32,636)	(505,293)
Closing net book value	<u>821,700</u>	<u>9,122</u>	<u>27,932</u>	<u>5,771</u>	<u>39,982</u>	<u>904,507</u>
2018, as restated						
Opening net book value	169,767	22,389	-	-	91,092	283,248
Additions	697,871	3,736	6,004	12,704	14,164	734,479
Depreciation	(173,711)	(8,877)	(795)	(2,699)	(32,638)	(218,720)
Closing net book value	<u>693,927</u>	<u>17,248</u>	<u>5,209</u>	<u>10,005</u>	<u>72,618</u>	<u>799,007</u>

The Group and Company leases office equipment under non-cancellable finance lease agreements. The lease terms are for 5 years. The carrying amount of office equipment held under finance leases is \$5,376 as at June 30, 2019 (June 30, 2018: \$9,300, July 1, 2017: Nil).

Prestige Biopharma Pte Ltd. and subsidiaries
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June 30, 2019 and 2018

13. Intangible assets

Intangible assets as at June 30, 2019, 2018 and July 1, 2017 consist of:

(in USD)

	Group		
	Cost	Accumulated amortisation	Net book value
	\$	\$	\$
2019			
Intellectual property rights (Note 13.1)	6,061,109	-	6,061,109
Patents (Note 13.2)	172,956	-	172,956
Development costs (Note 13.3)	52,889,704	-	52,889,704
	<u>59,123,769</u>	<u>-</u>	<u>59,123,769</u>
2018, as restated			
Intellectual property rights (Note 13.1)	5,800,751	-	5,800,751
Patents (Note 13.2)	74,299	-	74,299
Development costs (Note 13.3)	20,268,189	-	20,268,189
	<u>26,143,239</u>	<u>-</u>	<u>26,143,239</u>
2017, as restated			
Intellectual property rights (Note 13.1)	5,486,545	-	5,486,545
Patents (Note 13.2)	70,829	-	70,829
Development costs (Note 13.3)	3,589,319	-	3,589,319
	<u>9,146,693</u>	<u>-</u>	<u>9,146,693</u>

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

13. Intangible assets (continued)

(in USD)

		Company	
	Cost	Accumulated amortisation	Net book value
	\$	\$	\$
2019			
Intellectual property rights (Note 13.1)	6,061,109	-	6,061,109
Patents (Note 13.2)	172,956	-	172,956
Development costs (Note 13.3)	50,166,162	-	50,166,162
	<u>56,400,227</u>	<u>-</u>	<u>56,400,227</u>
2018, as restated			
Intellectual property rights (Note 13.1)	5,800,751	-	5,800,751
Patents (Note 13.2)	74,299	-	74,299
Development costs (Note 13.3)	20,268,189	-	20,268,189
	<u>26,143,239</u>	<u>-</u>	<u>26,143,239</u>
2017, as restated			
Intellectual property rights (Note 13.1)	5,486,545	-	5,486,545
Patents (Note 13.2)	70,829	-	70,829
Development costs (Note 13.3)	3,589,319	-	3,589,319
	<u>9,146,693</u>	<u>-</u>	<u>9,146,693</u>

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

13. Intangible assets (continued)

13.1. Intellectual property ("IP") rights

Changes in intellectual property rights, development costs and trademarks and patents for the years ended June 30, 2019 and 2018 and July 1, 2017, are as follows:

<i>(in USD)</i>	Group			
	Intellectual property rights	Patents	Development costs	Total
	\$	\$	\$	\$
2019				
Beginning net book value	5,800,751	74,299	20,268,189	26,143,239
Additions	260,358	98,657	32,621,515	32,980,530
Ending net book value	6,061,109	172,956	52,889,704	59,123,769
2018, as restated				
Beginning net book value	5,486,545	70,829	3,589,319	9,146,693
Additions	314,206	3,470	16,678,870	16,996,546
Ending net book value	5,800,751	74,299	20,268,189	26,143,239
2017, as restated				
Beginning net book value	5,013,924	58,803	337,833	5,410,560
Additions	472,621	12,026	3,251,486	3,736,133
Ending net book value	5,486,545	70,829	3,589,319	9,146,693

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

13. Intangible assets (continued)

13.1. Intellectual property ("IP") rights (continued)

(in USD)

	Company			
	Intellectual property rights	Patents	Development costs	Total
	\$	\$	\$	\$
2019				
Beginning net book value	5,800,751	74,299	20,268,189	26,143,239
Additions	260,358	98,657	29,897,973	30,256,988
Ending net book value	6,061,109	172,956	50,166,162	56,400,227
2018, as restated				
Beginning net book value	5,486,545	70,829	3,589,319	9,146,693
Additions	314,206	3,470	16,678,870	16,996,546
Ending net book value	5,800,751	74,299	20,268,189	26,143,239
2017, as restated				
Beginning net book value	5,013,924	58,803	337,833	5,410,560
Additions	472,621	12,026	3,251,486	3,736,133
Ending net book value	5,486,545	70,829	3,589,319	9,146,693

Intellectual property rights relates to a certain medical technology that was developed and invented by a third party, Hanwha Chemical Corporation ("HWCC"), a Korean corporation pertaining to two biosimilar drugs, HD201 and HD204. On June 1, 2015, HWCC and a related party, Prestige BioResearch Pte. Ltd. ("PBR") (previously known as PWG Genetics Pte. Ltd.), a Singapore registered entity, entered into an Asset Purchase Agreement ("AP Agreement") to acquire the IP for a purchase consideration of KRW 5,500,000,000 (equivalent to USD 4,978,132) to be settled over 2 payments i.e. an upfront payment and a final payment.

A series of amendments (the "Amendments") were made to the original AP Agreement which included clarification of certain issues on the IP, request for additional time by each party and additional intellectual property. PBR had then paid the upfront payment but not the final payment while HWCC had completed the transfer of the IP but not the transfer of the IP patents.

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13. Intangible assets (continued)

13.1. Intellectual property (“IP”) rights (continued)

On November 13, 2015, the Company, PBR and HWCC entered into a Novation Agreement to novate the IP rights to the Company. Under the terms of the Novation Agreement, PBR transferred all its rights, benefits, obligations and liabilities under the AP Agreement and Amendments to the Company; and HWCC agreed to perform all the remaining obligations under the AP Agreement and Amendments after the Company makes the upfront and final payments in place of PBR. During the financial year ended June 30, 2016, the directors paid the upfront and final payments on behalf of the Company and the Company recorded the IP as an intangible asset in the statement of financial position as at June 30, 2016.

This acquired IP continues to be developed by the Group and Company and borrowing costs amounting to \$260,358 have been capitalised as IP for the year ended June 30, 2019 (June 30 2018: \$314,206 and July 1, 2017: \$472,621).

No amortisation expense has been recorded, as amortisation will commence only when the related product is ready for its intended use or sale.

13.2. Patents

Patents refer to all certificates of invention and applications for certificates of invention related to the IP patents. Amortisation will commence when the related product is ready for its intended use or sale.

13.3. Development costs

Carrying amount of the development project as at June 30, 2019, 2018 and July 1, 2017 are as follows:

<i>(in USD)</i>		2019	<u>Group</u> 2018 (restated)	2017 (restated)
Related account	Name of separate asset	Carrying amount	Carrying amount	Carrying amount
		\$	\$	\$
Development costs	HD201	41,418,241	20,268,189	3,589,319
Development costs	HD204	11,471,463	-	-
		<u>52,889,704</u>	<u>20,268,189</u>	<u>3,589,319</u>

Prestige Biopharma Pte Ltd. and subsidiaries
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13. Intangible assets (continued)

13.3. Development costs (continued)

<i>(in USD)</i>			<u>Company</u>	
		2019	2018	2017
			(restated)	(restated)
Related account	Name of separate asset	Carrying amount	Carrying amount	Carrying amount
		\$	\$	\$
Development costs	HD201	40,714,888	20,268,189	3,589,319
Development costs	HD204	9,451,274	-	-
		<u>50,166,162</u>	<u>20,268,189</u>	<u>3,589,319</u>

HD201 is a product developed for the treatment of breast cancer. HD204 is a product developed for the treatment of lung cancer.

Included in the additions to development costs of the Group and Company for the years ended June 30, 2019 and June 30, 2018 are capitalised borrowing costs of \$2,156,495 and \$1,739,924 respectively.

13.4. Estimating recoverable amount

The Group estimated the recoverable amount of HD201 and HD204 based on value-in-use calculations.

The value-in-use calculations use cash flow projections covering a 10-year period based on the projected useful life and financial budgets approved by management.

Management had determined the present value of the future cash flows based on key assumptions including forecast revenue and discount rate. Forecasted revenue is primarily based on management's latest discussions and negotiations with distributors which provides management with a view of the potential sales volumes and market prices of the products being developed. Discount rates applied of 18% (June 30, 2018 and July 1, 2017: 18%) reflect specific risks relating to the Company's products.

No impairment charge was recognised for the financial years ended June 30, 2019, June 30, 2018 and as at July 1, 2017.

Prestige Biopharma Pte Ltd. and subsidiaries
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14. Trade and other payables

(in USD)

	<u>Group</u>			<u>Company</u>		
	30 June	1 July		30 June	1 July	
	2019	2018	2017	2019	2018	2017
	\$	\$	\$	\$	\$	\$
		(restated)	(restated)		(restated)	(restated)
Trade payables	5,929,408	2,894,969	2,051,647	5,885,796	2,884,124	2,051,647
Other payables:						
Amount due to directors	664,552	673,023	883,163	664,552	673,023	883,163
Other related parties	3,668,699	897,485	719,225	3,668,699	897,485	719,225
	<u>4,333,251</u>	<u>1,570,508</u>	<u>1,602,388</u>	<u>4,333,251</u>	<u>1,570,508</u>	<u>1,602,388</u>
Trade and other payables	<u>10,262,659</u>	<u>4,465,477</u>	<u>3,654,035</u>	<u>10,219,047</u>	<u>4,454,632</u>	<u>3,654,035</u>
Accrued development expenses	1,532,311	123,847	-	1,532,311	123,847	-
Accrued operating expenses	<u>402,024</u>	<u>212,327</u>	<u>22,405</u>	<u>399,556</u>	<u>212,327</u>	<u>22,405</u>
Trade and other payables and other liabilities	<u>12,196,994</u>	<u>4,801,651</u>	<u>3,676,440</u>	<u>12,150,914</u>	<u>4,790,806</u>	<u>3,676,440</u>
Less: non-current portion	<u>(8,211)</u>	<u>(9,778)</u>	<u>-</u>	<u>(8,211)</u>	<u>(9,778)</u>	<u>-</u>
Current	<u>12,188,783</u>	<u>4,791,873</u>	<u>3,676,440</u>	<u>12,142,703</u>	<u>4,781,028</u>	<u>3,676,440</u>

Other payables consists of amounts due to directors and amounts due to entities in which a director has a controlling interest. These amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

Prestige Biopharma Pte Ltd. and subsidiaries
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15. Borrowings

Details of carrying amount of borrowings as at June 30, 2019, 2018 and July 1, 2017 are as follows:

Group and Company

Current

Category		Creditor	Latest maturity date	Monthly interest rate (%)		2019 \$	2018 \$ (restated)	2017 \$
Short-term borrowings	US Dollar	Octava Pte Ltd	November 3, 2017	2.5 (a)		-	-	2,110,000
Convertible loan	US Dollar	Octava Biotech Pte Ltd	September 30, 2019	1.5 (b)		-	6,061,500	-
Convertible loan	US Dollar	Octava Fund Ltd	December 31, 2019	1.5 (c)		16,617,728	-	-
Short-term borrowings	US Dollar	Lucern Composite Master Fund SP	October 31, 2017	3.0 (d)		-	-	3,699,534
						<u>16,617,728</u>	<u>6,061,500</u>	<u>5,809,534</u>

Group and Company

Non-current

Category		Creditor	Latest maturity date	Monthly interest rate (%)		2019 \$	2018 \$ (restated)	2017 \$
Long-term borrowings	Singapore Dollar	Prestige Biopharmaceuticals Co.Ltd	January 4, 2031	- (e)		41,673	34,679	27,282
						<u>41,673</u>	<u>34,679</u>	<u>27,282</u>

- (a) On April 5, 2017, the Company entered into a loan agreement with shareholder Octava Pte Ltd ("Octava") for \$2,000,000 ("Facility A"), bearing interest at a rate of 2.5% per month. Total accrued interest as at July 1, 2017 was \$110,000. The Company is expected to repay the loan and all accrued interest on the loan on the date falling 6 months from the utilisation date. On November 3, 2017, the Company entered into an amendment, restatement and confirmation deed to this loan agreement ("amended agreement"). Under this amended agreement, the Company issued convertible loans denominated in United States Dollars with nominal values of \$2,300,000 ("Facility B") and \$15,000,000 ("Facility C"), bearing interest at a rate of 1.5% per month. Both Facility B and Facility C are repayable on demand at the option of Octava. Facility B was used to extinguish Facility A and its accrued interest. On May 30, 2018, the lender exercised their option to convert the total loan of \$17,300,000 into shares of the Company at a rate of \$19.06 per share (Note 18(a)). Upon conversion, accrued interest of \$1,327,763 was waived by the lender and subsequently recognised by the Company as a capital contribution (Note 19(a)).

Prestige Biopharma Pte Ltd. and subsidiaries
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15. Borrowings (continued)

- (b) On June 4, 2018, the Company entered into an agreement with Octava Biotech Pte Ltd ("Octava Biotech") where a facility was granted to allow the Company to issue convertible loans up to \$25,000,000, bearing interest at a rate of 1.5% per month. The loans are convertible into ordinary shares of the Company. This facility is repayable on demand at the option of Octava Biotech. As at June 30, 2018, the Company had issued convertible loans to Octava Biotech amounting to \$6,000,000. During the year ended June 30, 2019, the Company drew down the full amount of the loan facility amounting to \$25,000,000 and Octava Biotech exercised their option to convert the full amount of the loan into ordinary shares of the Company (Note 18).
- (c) On January 17, 2019, the Company entered into an agreement with Octava Pte. Ltd. where a facility was granted to allow the Company to issue convertible loans up to \$20,000,000, bearing interest at a rate of 1.5% per month. This facility is repayable on demand at the option of Octava Pte. Ltd. The notional value of convertible loans issued under the agreement as at June 30, 2019 is \$16,000,000. During the year ended June 30, 2019, Octava Pte Ltd novated its outstanding convertible loan balance and accrued interest of \$16,617,728, together with its outstanding obligations under the agreement to Octava Fund Limited.
- Subsequent to the year ended June 30, 2019, the Company issued additional convertible loans to Octava Fund Limited amounting to \$4,000,000 and as a result utilised the full amount of the facility of \$20,000,000.
- (d) On December 10, 2016, the Company entered into an agreement with a third party to issue loans amounting to \$3,000,000, bearing interest of 3% per month. On November 20, 2017, the loan and all accrued interest were fully repaid.
- (e) On January 5, 2016, the Company entered into a loan agreement with a related party, Prestige Biopharmaceuticals Co., Ltd, for an interest free term loan facility amounting to SGD1,200,000 (approximately \$889,548) which is repayable in full on January 4, 2031. The Company drew down SGD599,960 (approximately \$444,744) from this facility during the financial year ended June 30, 2016. No further drawdowns were made subsequently. The Company had initially recorded this loan at its fair value which has been determined by discounting the future contractual cash flows at the current market interest rate that is expected to be available to the Company for a similar loan facility. This loan is carried on the statement of financial position at its amortised cost as at June 30, 2019, June 30 2018 and July 1, 2017.

Prestige Biopharma Pte Ltd. and subsidiaries
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16. Financial liability at fair value through profit or loss

During the financial year, the Group and Company entered into a convertible loan Note 15(c) which is a hybrid instrument that contains an embedded derivative. The embedded derivative is separated from the host debt component as the economic characteristic and risks of the embedded derivative are not closely related to the economic characteristic and risk of the host debt component.

(in USD)

Group and Company

Fair value
\$

June 30, 2019

Embedded derivative

437,800

The fair value of the embedded derivative has been established using the Binomial Option Pricing Model as disclosed in Note 5.3.

17. Tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

(in USD)

2019
\$

2018
\$

Tax expense attributable to results is made up of:

Current income tax

Foreign Income tax

165,012

165,012

-

-

(in USD)

2019
\$

2018
\$

Loss before income tax expense

Tax calculated at 17%

Tax effects of:

Different tax rate in other countries

Income not subject to tax

Research and development tax incentives

Unrecognised deferred tax assets

Expenses not deductible for tax purposes

Tax deducted at source

Income tax expense

(1,109,936)

(188,689)

(1,393)

(433,795)

(8,559,833)

9,132,495

51,215

165,012

165,012

(2,028,737)

(344,885)

-

(123,479)

-

52,357

416,007

-

-

The Group has unrecognised tax losses, which includes research and development tax incentives, amounting to \$53,151,990 (2018: Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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18. Share capital

The Company's total number of ordinary shares issued is 8,393,507 shares (June 30, 2018: 7,868,912 shares, July 1, 2017: 6,961,367 shares).

All shares issued by the Company were fully paid. Fully paid ordinary shares are ranked equally where they carry one vote per share and carry a right to dividends as and when declared by the Company.

<i>(in USD and in number of shares)</i>		Number of shares (shares)	Share capital \$
<u>Group and Company</u>			
July 1, 2017		6,961,367	10,898,489
Issuance of shares at USD 19.06 per share	(a)	907,545	17,300,000
June 30, 2018		<u>7,868,912</u>	<u>28,198,489</u>
July 1, 2018		7,868,912	28,198,489
Issuance of shares at USD 47.66 per share	(b)	524,595	25,000,000
June 30, 2019		<u>8,393,507</u>	<u>53,198,489</u>

(a) On May 30, 2018 Octava Pte Ltd exercised its right to convert the loan into ordinary shares of the Company. The Company issued 907,545 shares pursuant to the \$17,300,000 convertible loan from Octava Pte Ltd at the exercise price of \$19.06 per share.

(b) As set out in Note 15(a), on January 31, 2019 Octava Pte Ltd exercised its right to convert the loan into ordinary shares of the Company. The Company issued 524,595 shares pursuant to the \$25,000,000 convertible loan from Octava Pte Ltd at the exercise price of \$47.66 per share.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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19. Other comprehensive income and other components of equity

Changes in other comprehensive income of the Group for the years ended June 30, 2019 and 2018, are as follows:

(in USD)

	Beginning balance	Increase/ (decrease)	Reclassification to profit or loss	Ending balance
	\$	\$	\$	\$
Group				
2019				
Currency translation differences	1,877	97,889	-	99,766
2018				
Currency translation differences	-	1,877	-	1,877

Changes in other comprehensive income are net of tax.

Other components of equity of the Group and the Company as at June 30, 2019 and 2018, consists of:

(in USD)

	2019	2018
	\$	\$
		(restated)
Group		
Capital contribution (a)	2,784,546	1,327,763
Translation reserve	99,766	1,877
	<u>2,884,312</u>	<u>1,329,640</u>
Company		
Capital contribution (a)	<u>2,784,546</u>	<u>1,327,763</u>

(a) Capital contribution

(in USD)

	2019	2018
	\$	\$
		(restated)
Group		
Beginning of financial year	1,327,763	-
Waiver of interest	1,456,783	1,327,763
End of financial year	<u>2,784,546</u>	<u>1,327,763</u>

Capital contribution reserve represents the waiver of loan interest liability by a shareholder.

On January 31, 2019, shareholder Octava Pte. Ltd. exercised their option to convert their loan of \$25,000,000 into shares of the Company. Upon conversion, the shareholder had waived all outstanding accrued interest owing by the Company (Note 18(b)).

On May 30, 2018, shareholder Octava Pte. Ltd. exercised their option to convert their loan of \$17,300,000 into shares of the Company. Upon conversion, the shareholder had waived all outstanding accrued interest owing by the Company (Note 18(a)).

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

20. Accumulated losses

The movement in accumulated losses for the years ended June 30, 2019, 2018 and July 1, 2017 is as follows:

<i>(in USD)</i>	2019	2018
<u>Group</u>	\$	\$ (restated)
Accumulated losses brought forward	4,414,055	2,385,318
Loss for the year	1,274,948	2,028,737
Accumulated losses carried forward	<u>5,689,003</u>	<u>4,414,055</u>

<i>(in USD)</i>	2019	2018
<u>Company</u>	\$	\$ (restated)
Accumulated losses brought forward	4,401,067	2,385,318
Loss for the year	1,285,151	2,015,749
Accumulated losses carried forward	<u>5,686,218</u>	<u>4,401,067</u>

21. Revenue contract with customers

The Group and Company recognises revenue from license fees as follows:

<i>(in USD)</i>	2019	2018
	\$	\$ (restated)
<u>Korea</u>		
License fee – right to use	<u>1,680,000</u>	<u>-</u>
Contract liabilities		
<i>(in USD)</i>	2019	2018
	\$	\$ (restated)
<u>Korea</u>		
License fee – Distribution rights	<u>7,938,000</u>	<u>1,000,000</u>

Contract liabilities relate to upfront license fees for distribution rights granted and milestone payments received prior to regulatory approval on products. The contract liabilities increased as a result of new contracts entered during the financial year where consideration has been received or is receivable ahead of the provision of services.

Management expects the transaction price of \$1,480,983 allocated to the unsatisfied performance obligations as at June 30, 2019 of the Group and Company to be recognised as revenue during the next reporting period. The remaining amount of \$6,457,017 is expected to be recognised in the subsequent reporting periods up to the financial year ended June 30, 2029.

Management expects the transaction price of \$1,000,000 allocated to the unsatisfied performance obligations as at June 30, 2018 of the Group and Company to be recognised after June 30, 2019.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
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22. Other gains/(losses)

Details of other gains and losses for the years ended June 30, 2019 and 2018, are as follows:

<i>(in USD)</i>	2019	2018
	\$	\$
		(restated)
Currency exchange (losses)/gains - net	(114,950)	349,429
Write-off of accrued interest income (Note 9(ii))	-	(13,892)
Gain on conversion of loan into unquoted redeemable convertible preference shares (Note 8)	-	40,275
Gain on conversion of redeemable convertible preference shares to ordinary shares (Note 8)	1,513,132	-
Fair value loss on financial liability at fair value through profit or loss (Note 16)	(41,400)	-
Fair value gains on financial asset at fair value through profit or loss (Note 8)	1,080,005	686,074
	<u>2,436,787</u>	<u>1,061,886</u>

23. Employee compensation

<i>(in USD)</i>	2019	2018
	\$	\$
		(restated)
Wages and salaries	1,387,254	506,449
Employer's contribution to defined contribution plan	118,510	54,445
	<u>1,505,764</u>	<u>560,894</u>

24. Finance income and costs

<i>(in USD)</i>	2019	2018
	\$	\$
		(restated)
Finance income		
Interest from loans to a related party	<u>191,150</u>	<u>13,892</u>
Finance costs		
Interest expense:		
Convertible loans	2,409,451	1,824,591
Borrowings	-	223,297
Others	7,402	6,469
	<u>2,416,853</u>	<u>2,054,357</u>
Less: Amount capitalised in intangible asset	<u>(2,416,853)</u>	<u>(2,054,130)</u>
Amount recognised in profit or loss	<u>-</u>	<u>227</u>

Finance expenses on general financing were capitalised at a rate of 24% per annum (2018: 20.4% per annum) (Note 13.1 and Note 13.3).

Prestige Biopharma Pte Ltd. and subsidiaries
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25. Commitments

The Group and Company leases an office and automobile under a non-cancellable operating lease agreements. Total minimum lease payments in relation to non-cancellable operating leases that are payable at the end of the reporting period are as follows:

Group and Company	2019	2018
Total lease payments	\$	\$
Within one year	180,096	172,784
Later than one year but not later than five years	63,885	234,499
	<u>243,981</u>	<u>407,283</u>

26. Related party transactions

Interests in subsidiaries as at June 30, 2019 and 2018, are as follows

	Percentage of ownership (%)	
	2019	2018
Prestige Biopharma Belgium BVBA	99 %	99 %
Prestige Biopharma Australia Pty Ltd	100 %	100 %

Details of other related parties that have transactions with the Group or have outstanding balances as at June 30, 2019 and 2018, are as follows:

Type	2019	2018	Relationship
Other related parties	Prestige Bioresearch Pte Ltd	Prestige Bioresearch Pte Ltd	A Director-related Company
	Prestige Biopharmaceuticals Co., Ltd ¹	Prestige Biopharmaceuticals Co., Ltd ¹	A Director-related Company
	Octava Biotech Pte Ltd	Octava Biotech Pte Ltd	A Director-related Company
	Octava Fund Limited ²		Shareholder
Others	Octava Pte Ltd ³	Octava Pte Ltd	Shareholder
	Park Soyeon	Park Soyeon	Directors
	Kim Michael Jinwoo	Kim Michael Jinwoo	

- 1 As at June 30, 2019, the Group and Company holds 4.0% (2018: 4.9%) shareholdings in Prestige Biopharmaceuticals Co., Ltd.
- 2 During the year ended June 30, 2019, Octava Pte Ltd transferred the outstanding loan of \$16,617,728 to Octava Fund Limited.
- 3 During the year ended June 30, 2019, the Group and Company issued 524,595 (2018: 907,545) ordinary shares to Octava Pte Ltd upon conversion of loan to equity.

Prestige Biopharma Pte Ltd. and subsidiaries
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26. Related party transactions (continued)

Transactions with related parties for the years ended June 30, 2019 and 2018 are as follows:

(in USD)

2019

<u>Group and Company</u>		<u>Trade and other receivables transactions</u>		<u>Borrowing transaction</u>		<u>Conversion of loan to equity</u>		<u>Trade payable transactions</u>	
<u>Relationship</u>	<u>Name of entity</u>	<u>Revenue</u> \$	<u>Other receivables</u> \$	<u>Financial liabilities at fair value through profit or loss</u> \$	<u>Borrowings</u> \$	<u>Conversion</u> \$	<u>Purchase</u> \$		
Director-related company	Prestige Bioresearch Pte Ltd	-	2,154,853	-	-	-	(1,118,439)		
Shareholder	Octava Fund Limited	-	-	(437,800)	(16,617,728)	-	-		
Director-related company	Octava Biotech Pte Ltd	-	-	-	(20,395,323)	25,000,000	-		
	Prestige Biopharmaceuticals Co., Ltd	840,000	-	-	(7,402)	-	2,473,829		

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

26. Related party transactions (continued)

(in USD)

<u>Group and Company</u>	<u>Relationship</u>	<u>Name of entity</u>	2018				
			Trade and other receivables transactions	Repayment	Borrowings	Repayments	Conversion of loan to equity
			Other receivables \$	\$	\$	\$	\$
Director-related company	Prestige Bioresearch Pte Ltd		812,054	1,851,993	-	-	
	Octava Pte Ltd		-	-	(18,817,763)	2,300,000	17,300,000
Director-related company	Octava Biotech Pte Ltd		-	-	(6,061,500)	-	-
	Prestige Biopharmaceuticals Co., Ltd		2,970,000	-	(7,397)	-	-

The allowance for impairment on loans to related parties is set out in Note 9.

Key management include the Directors. The compensation paid or payable to key management for employee services for the years ended June 30, 2019 and 2018, consists of:

<u>Group and Company</u>	2019	2018
	\$	\$
Directors' remuneration	580,473	267,901
Contributions to defined benefit plan	30,710	13,707
	<u>611,183</u>	<u>281,608</u>

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27. Losses per share

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(a) Basic losses per share

<i>(in USD)</i>	2019	2018
	\$	\$
Losses attributable to the ordinary equity holders of the Company	<u>(1,274,948)</u>	<u>(2,028,737)</u>
Weighted average number of ordinary shares outstanding	<u>8,084,499</u>	<u>7,021,041</u>
Basic and diluted losses per share	<u>0.16</u>	<u>0.29</u>

(b) Diluted losses per share

The Group's only category of potentially dilutive ordinary shares are convertible bonds for the financial year ended June 30, 2019 and June 30, 2018. Potential dilutive ordinary shares were excluded from the diluted weighted average number of ordinary shares calculation, as their effect would have been anti-dilutive. Therefore, basic losses per share is identical to diluted losses per share.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

28. Operating Segment Information

The Group's chief operating decision-makers comprises the Chief Executive Officer, the Chief Financial Officer and the directors of the Company. Management had determined the operating segments based on the reports reviewed by management that are used to make strategic decisions, allocate resources and assess performance.

As of June 30, 2019, the Group's key focus remains to be on the development of its pharmaceutical products and as such management manages and monitors the business for the Group as single business segment. Management assesses the performance of the operating segment based on the profit before tax of the Group.

The amounts reported to the management with respect to profit before tax, total asset and total liabilities are measured in a manner consistent with that of the consolidated financial statements.

(i) Geographical information

The Group's revenue by geographical area is disclosed under Note 21

(ii) Carrying amount of non-current assets by geographical markets are as follows:

(in USD)	Non- current assets		
	June 30 2019	June 30 2018	July 1 2017
	\$	\$	\$
Korea	8,037,931	5,444,794	1,748,445
Singapore	62,238,784	26,988,266	9,472,682

Non-current assets information presented above consist of property, plant and equipment, intangible assets, financial assets at fair value through profit or loss, trade and other receivables and other assets as presented in the consolidated statement of financial position.

Revenue of \$1,680,000 is derived from license fees from two (2018 and 2017: nil) customers.

Prestige Biopharma Pte Ltd. and subsidiaries
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29. Prior year adjustments

The comparative financial statements for the year ended June 30, 2018 and as at July 1, 2017 have been restated to correct prior year errors below. The effects of the prior year adjustments are reflected as follows:

Group
As at June 30, 2018

(in USD)	Note	Reference	As previously stated \$	Reclassification \$	Adjustments \$	As restated \$
<i>Consolidated Statement of Financial Position</i>						
Other assets	10	A, D	288,483	(13,405)	(3)	275,075
Property, plant and equipment	12	B	789,205	-	9,802	799,007
		C		-	3,073,752	
		D		-	(798,410)	
		F		-	1,344,124	
		L		-	123,847	
Intangible assets	13		22,399,926	-	3,743,313	26,143,239
Other investment / Available-for-sale financial asset		N	4,700,000		744,794	5,444,794
		J		-	(13,892)	
		R		-	22,855	
		S		-	(167,400)	
		O		-	(3,453,328)	
		Q		-	(534,337)	
Loans due from related parties	9		4,146,102	-	(4,146,102)	-
Trade and other receivables		A	1,000,000	13,405	-	1,013,405
		B		-	(9,802)	
		K		-	(66,472)	
		E		(11,119)	-	
		L		-	(223,829)	
		M		-	452,753	
Trade and other payables	14		(4,943,182)	(11,119)	152,650	(4,801,651)
Deferred revenue		P	-	-	(1,000,000)	(1,000,000)
		E		11,119	-	
		I		-	1,404,466	
		H		-	404,851	
Borrowings	15		(7,916,615)	11,119	1,809,317	(6,096,179)
Capital contribution	19	I	-	-	(1,327,763)	(1,327,763)
Fair value reserve		N	-	-	(744,794)	(744,794)
		C		-	(1,019,623)	
		D		-	235,283	
		S		-	167,400	
		O		-	2,467,771	
		F		-	(839,361)	
		H		-	(407,472)	
		T		-	154,788	
Accumulated losses	20 2.2(c)		4,400,063	-	758,786	5,158,849

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

Group
For the year ended June 30, 2018

<i>(in USD)</i>	Note	Reference	As previously stated \$	Adjustments \$	As restated \$
<i>Consolidated Statement of Comprehensive Income</i>					
Revenue	21	P	1,000,000	(1,000,000)	-
Impairment of financial assets	4.1.2	O	-	(173,503)	(173,503)
		R		22,855	
		O		(812,054)	
		Q		(534,337)	
Other income- Finance income			1,352,172	(1,323,536)	28,636
Research and development		D	(815,011)	(428,301)	(1,243,312)
		M		452,754	
		K		(66,472)	
Employee's benefit	23		(995,963)	386,282	(609,681)
Amortisation expenses		F	(504,763)	504,763	-
		C		2,054,129	
		I		76,703	
		H		(6,241)	
Finance costs	24		(2,124,818)	2,124,591	(227)
Other expenses previously presented		**	(293,195)	(245,084)	(538,279)
Loss for the year		T	(2,600,298)	(154,788)	(2,755,086)
Other comprehensive income		N	-	726,349	726,349

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

****** An analysis of the items included in other expense in the previously presented financial statements for the year ended June 30, 2018 and the restatement of the respective balances is shown below:

Group
For the year ended June 30, 2018

Expenses	Reference	As previously stated \$	Reclassification \$	Adjustments \$	As restated \$
Laboratory expenses	G	(127,814)	127,814	-	-
Other operating expenses	G	(165,381)	(12,770)	-	(178,151)
	H		-	3,620	
	J		-	(13,892)	
	D		-	1,610	
Other gain	G	-	344,199	(8,662)	335,537
Freight	G, L	-	(8,993)	(4,088)	(13,081)
Rental on operating leases	G	-	(151,223)	-	(151,223)
Advertising and promotion expenses	G	-	(37,268)	-	(37,268)
Travel expenses	G	-	(54,111)	-	(54,111)
	D		-	(136,440)	
	L		-	(95,894)	
Legal and professional		-	(207,648)	(232,334)	(439,982)
Total		(293,195)	-	(245,084)	(538,279)

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

Company
As at June 30, 2018

(in USD)	Note	Reference	As previously stated \$	Reclassification \$	Adjustments \$	As restated \$
<i>Consolidated Statement of Financial Position</i>						
Other assets	10	A, D	290,146	(13,405)	(3)	276,738
Property, plant and equipment	12	B	789,205	-	9,802	799,007
		C		-	3,073,752	
		D		-	(798,410)	
		F		-	1,344,124	
		L		-	123,847	
Intangible assets	13		22,399,926	-	3,743,313	26,143,239
Other investment / Available-for-sale financial asset		N	4,700,000	-	744,794	5,444,794
Trade and other receivables		A	1,000,000	13,405	-	1,013,405
		J			(13,892)	
		R			22,855	
		S			(167,400)	
		O		-	(3,453,328)	
		Q			(534,337)	
Loans from related parties	9		4,146,102	-	(4,146,102)	-
		B		-	(9,802)	
		K		-	(66,472)	
		E		(11,119)	-	
		L		-	(223,829)	
		M		-	452,753	
Trade and other payables	14		(4,932,337)	(11,119)	152,650	(4,790,806)
Deferred revenue		P			(1,000,000)	(1,000,000)
		E		11,119	-	
		I		-	1,404,466	
		H		-	404,851	
Borrowings	15		(7,916,615)	11,119	1,809,317	(6,096,179)
Capital contribution	19	I	-	-	(1,327,763)	(1,327,763)
Fair value reserve		N	-	-	(744,794)	(744,794)
		C		-	(1,019,623)	
		D		-	235,283	
		S		-	167,400	
		O		-	2,467,771	
		F		-	(839,361)	
		H		-	(407,472)	
		T		-	154,788	
Accumulated losses	20 2.2(c)		4,387,075	-	758,786	5,145,861

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- A) An amount due from a related party, Prestige Bioresearch Pte Ltd of \$13,405, was previously incorrectly classified under "Other assets", and has been reclassified under "Trade and other receivables".
- B) Provision for reinstatement cost of \$9,802, omitted from the previously reported financial statements for the year ended June 30, 2018, was reinstated, with the corresponding increase reflected in "Property, Plant and Equipment". This adjustment has no impact on the loss before tax for the year ended June 30, 2018. Both "Trade and other payables" and "Property, Plant and Equipment" increased by \$9,802 as at June 30, 2018.
- C) Borrowing cost incurred on qualifying intangible assets of \$2,054,129 in the year ended June 30, 2018, \$979,623 for the year ended June 30, 2017 and \$40,000 for the year ended June 30, 2016; had not been capitalised as intangible assets as required under FRS 23, Borrowing Costs. Accordingly, for the year ended June 30, 2018, "Intangible assets" was increased through a prior year adjustment by \$3,073,752, with a corresponding reduction in "Finance cost" of \$2,054,129 and a reduction in the "Accumulated losses" of \$1,019,623 (aggregated for errors for the financial years ended June 30, 2017 and 2016). This adjustment reduced the "Loss before tax" of the Group and the Company by \$2,054,129 for the year ended June 30, 2018, and reduced the "Accumulated losses" for the year ended June 30, 2017, by \$1,019,623.
- D) "Intangible assets" previously reported at June 30, 2018 included non-qualifying cost of \$428,531 (inclusive of \$106,750 of development cost and foreign exchange gains of \$1,610 which were wrongly recorded in June 30, 2017) incurred during the year ended June 30, 2018; and \$233,439 (inclusive of \$1,844 of foreign exchange gains) incurred during the year ended June 30, 2017; which were incorrectly capitalised as Development cost. In addition, "Legal expenses" of \$136,440 incurred in the year ended 2018 was also incorrectly capitalised as development cost. Accordingly, adjustments were put through to reduce "Intangible assets" and "Other assets" at June 30, 2018 by \$798,410 and \$3 respectively, with a corresponding increase in "Research and development expenses" of \$428,301, "Legal expenses" of \$136,440 and increase in "Other gains" of \$1,610 for the year ended June 30, 2018 and an increase in the "Accumulated losses" of \$235,283 (for the financial year ended June 30, 2017).
- E) "Borrowings" of \$11,119 were reclassified to "Other payables" to ensure the consistency of presentation. There is no effect on the "Loss for the year" ended June 30, 2018.
- F) Amortisation of "Intangible assets" was made of \$504,763, \$504,675 and \$334,686 for the respective years ended June 30, 2018, June 30, 2017 and June 30, 2016, notwithstanding the fact that the "Intangible asset" was not ready for use. Accordingly, for the year ended June 30, 2018, adjustments of \$1,344,124 was made to increase "Intangible asset", with corresponding adjustments made to reduce "Amortisation expense" of \$504,763 for the year ended June 30, 2018, and reduce the "Accumulated losses" at July 1, 2017 by \$839,361 (inclusive of the reduction of the carry forward "Accumulated losses" at July 1, 2016 of \$334,686). The adjustment has the effect of reducing the "Loss before tax" for the year ended 30 June 2018 by \$504,763.
- G) The reclassification of these financial line items were made to ensure the consistency of the presentation of expenses by nature in the year ended June 30, 2019. There is no impact to the "Loss for the year" ended June 30, 2018.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- H) During the financial year ended June 30, 2016, an interest free loan of SGD599,960, which matures on May 5, 2026, was advanced to the Company from a related party, Prestige Biopharmaceuticals Co., Ltd ("PBK"). The loan was recorded in the books of the Company at the cash value of SGD599,960 (\$444,744) instead of the present value of the loan of SGD31,924 (\$23,133), at the date of advance. Consequently, a gain was not recognised at the inception of the loan; and the corresponding interest expense for the years ended June 30, 2016, 2017, and 2018 was not recognised (upon the accretion of the loan liability at amortised cost). In order to correct the omission, the carrying value of the loan at June 30, 2018 was adjusted downwards by \$404,851 to a carrying value of \$34,679. Corresponding adjustments were made to increase "Finance cost" by \$6,241 and increase "Other gains" (exchange gain) by \$3,620, for the year ended June 30, 2018. The opening "Accumulated losses" at July 1, 2017 was reduced by \$407,472. The effect of these adjustments is to increase the "Loss for the year" ended 30 June 2018 by \$2,621 and to reduce the closing "Accumulated losses" at June 30, 2018 by \$404,851.
- I) As disclosed in Note 15(a), on May 30, 2018, interest expense of \$1,327,763 payable to Octava (a shareholder) under a loan agreement was waived by Octava upon the conversion of the loan into shares of the Company during the year ended June 30, 2018. The interest expense payable was included as part of "Borrowings", instead of being reflected as a "Capital contribution" by a shareholder for the year ended June 30, 2018. In addition, there was an over accrual of interest expense of \$76,703 recognised in the year ended June 30, 2018. Prior year adjustments were made to reverse the over recognition of "Finance cost" of \$76,703 in the previously reported results for the year ended June 30, 2018 and to capitalise interest expense payable of \$1,327,763 as part of "Capital contribution" by shareholder; with a corresponding reduction in "Borrowings" of \$1,404,466, at the end of June 30, 2018. The effect of these adjustments is to reduce the "Loss before tax" of the Group and the Company by \$76,703, increase the "Capital contribution" by shareholder by \$1,327,763, and reduce "Borrowings" by \$1,404,466; of the Group and the Company.
- J) As disclosed in Note 9(ii), during the year ended June 30, 2018, the Company agreed to convert the loan of \$3,000,000 into 87,923, redeemable convertible preference shares. Under the terms of the conversion, accrued interest income of \$13,892 relating to the convertible loan was written off. In the previously reported financial statements for the year ended June 30, 2018, the Company had omitted to reflect the write off of this interest income, and consequently, a prior year adjustment was put through in the year ended June 30, 2018, to reverse the previously recognised "Interest income" of \$13,892, and a corresponding reduction on "Loans due from related parties". This adjustment has the effect of increasing the "Loss before tax" by \$13,892 of the Group and the Company.
- K) For the year ended June 30, 2018, the Company had omitted providing for bonuses and wage of \$66,472. Consequently, a prior year adjustment was made for the year ended June 30, 2018 to accrue for the additional bonus expense, resulting in the increase in the "Loss before tax" and the increase in "Trade and other payables" by \$66,472 of the Group and Company.
- L) During the year ended June 30, 2018, cost incurred for the development of intangible assets of \$123,847, legal expenses of \$95,894 and freight expenses of \$4,088 were not accrued for as at June 30, 2018. Prior year adjustments were made to accrue for the cost and expenses incurred before June 30, 2018, with the corresponding increase in "Intangible assets" of \$123,847 and an increase in operating expenses by \$99,982. This has the effect of increasing the "Loss before tax" by \$99,982 for the year ended June 30, 2018, increasing "Intangible assets" by \$123,847 and increasing "Trade and other payables" by \$223,829 at June 30, 2018 of the Group and Company.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- M) Salaries payable to directors of the Company were over accrued for the financial year ended June 30, 2018. Consequently, a prior year adjustment was made to revise the over accrual of \$452,753, resulting in a decrease in "Trade and other payables" and a decrease in "Employee benefit" expense (decrease in "Loss before tax") by the same amount for the Group and Company.
- N) Investment in the shares of Prestige Biopharmaceuticals Co., Ltd of \$4,700,000 was erroneously recorded in "Other investment" and stated at cost at June 30, 2018. Under FRS 39 (the standard applicable in the year ended June 30, 2018), this investment should have been classified as Available for sale ("AFS") investments, and stated at the fair value of \$5,444,794 at June 30, 2018, with the changes in fair value of the investment reflected in the "Fair value reserve". A prior year adjustment was made to state the investment at fair value by increasing the "AFS investment" by \$744,794 and increasing the "Fair value reserve" of \$744,794 as at June 30, 2018 (with an increase in "Fair value reserve" of \$18,455 for the year ended June 30, 2017). This adjustment has the effect of increasing "Other comprehensive income" for the year ended June 30, 2018 by \$726,349, increasing "AFS investment" by \$744,794 as at June 30, 2018 and decreasing "Accumulated losses" by \$18,445 for the financial year ended June 30, 2017 for the Group and Company.
- O) For the previous financial year ended June 30, 2018, no impairment on a "Loan due from related parties", Prestige Bioresearch Pte Ltd, was made. "Interest income" of \$812,054 was recognised on the loan for the year ended June 30, 2018. The Company has reassessed the financial and other information of the related party available at that point in time, and concluded that the related party was already facing significant financial difficulty at June 30, 2018. Consequently, a prior year adjustment of \$3,453,328 (including an impairment of \$2,467,771 as at June 30, 2017) was made to impair the "Loan due from related parties" for the year ended June 30, 2018, to reverse interest income previously recognised of \$812,054 and to increase impairment losses of \$173,503 for the year ended June 30, 2018. This adjustment has the effect of increasing the loss before tax of the Group and the Company by \$985,557 and increasing "Accumulated losses" by \$2,467,771 for the financial year ended June 30, 2017.
- P) For the previous financial year ended June 30, 2018, revenue of \$1,000,000 was recognised in respect of upfront fees receivable upon the signing of a licence agreement. During the year, the Company has reassessed the basis for the recognition of the entire upfront fee and concluded that as of June 30, 2018 there remains significant obligations on the part of the Company to provide licencing support to the licensor. Consequently, a prior year adjustment was made to reverse "Revenue" of \$1,000,000 recognised for the year ended June 30, 2018 to "Deferred Revenue" as of June 30, 2018. This adjustment has the effect of increasing the "Loss before tax" of the Company and the Group by \$1,000,000, and increasing "Deferred Revenue" on the balance sheet by the same amount.
- Q) During the prior financial year ended June 30, 2018, interest income for a loan extended by the Company to a related party, Prestige Biopharmaceuticals Co., Ltd (Note 9), was overstated by \$534,557. A prior year adjustment was made to reverse the "Interest income" recognised with the corresponding decrease in "Trade and other receivable" of \$534,337. The adjustment has the effect of increasing the "Loss before tax" of the Group and the Company by \$534,337.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- R) During the prior financial year ended June 30, 2018, interest income for a loan extended by the Company to a related party, Prestige Bioresearch Pte Ltd (Note 9), was understated by \$22,855. A prior year adjustment was made to increase "Interest income" with the corresponding increase in "Trade and other receivable" of \$22,855. The adjustment has the effect of decreasing the "Loss before tax" of the Group and the Company by \$22,855.
- S) During the previous financial year ended June 30, 2017, interest income for a loan extended by the Company to a related party, Prestige Biopharmaceuticals Co., Ltd (Note 9), was overstated by \$167,400. A prior year adjustment was made to decrease "Trade and other receivable" and increase "Accumulated losses" of \$167,400. The adjustment has no impact on the "Loss before tax" of the Group and the Company for the year ended June 30, 2018.
- T) The aggregate effect of adjustments A till S above on the "Loss before tax" for the year ended June 30, 2018 is \$154,788 for the Group and the Company.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

Group and Company
As at July 1, 2017

<i>(in USD)</i>	Note	Reference	As previously stated \$	Reclassification	Adjustments \$	As restated \$
<i>Consolidated Statement of Financial Position</i>						
Property, plant and equipment	12	a	273,446		9,802	283,248
Other assets	10		261,235		(1)	261,234
		b			1,019,623	
		c			839,361	
		e			(233,443)	
		f			(106,747)	
Intangible assets	13		7,627,899		1,518,794	9,146,693
Available-for-sale financial assets		d	-	1,730,000	18,445	1,748,445
		j			(167,400)	
		i			(2,467,771)	
Loan to related parties		d	6,215,171	(1,730,000)	(2,635,171)	1,850,000
		a			(9,802)	
		f			104,908	
Trade and other payables	14		(3,771,546)		95,106	(3,676,440)
Fair value reserve		d	-		18,445	18,445
Borrowings	15	h	(6,244,288)		407,472	(5,836,816)
		b			(40,000)	
		c			(334,686)	
		h			(421,079)	
		g			323,145	
		k			1,076,618	
Accumulated losses	20 2.2(c)		1,799,765		603,998	2,403,763

- a) Provision for reinstatement cost of \$9,802, omitted from the previously reported financial statements for the year ended June 30, 2017, was reinstated, with the corresponding increase reflected in "Property, Plant and Equipment". This adjustment has no impact on the loss before tax for the year ended June 30, 2017. Both "Trade and other payables" and "Property, Plant and Equipment" increased by \$9,802 as at July 1, 2017.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- b) Borrowing cost incurred on qualifying intangible assets of \$979,623 for the year ended June 30, 2017 and \$40,000 for the year ended June 30, 2016; had not been capitalised as intangible assets as required under FRS 23, Borrowing Costs. Accordingly, for the year ended June 30, 2017, "Intangible assets" was increased through a prior year adjustment by \$1,019,623, with a corresponding reduction in "Finance cost" of \$979,623 and a reduction in the "Accumulated losses" of \$40,000 (for the financial year ended June 30, 2016). This adjustment reduced the "Loss before tax" of the Group and the Company by \$979,623 for the year ended June 30, 2017, and reduced the "Accumulated losses" as at July 1, 2016, by \$40,000.
- c) Amortisation of "Intangible assets" was made of \$504,675 and \$334,686 for the respective years ended June 30, 2017 and June 30, 2016, notwithstanding the fact that the "Intangible asset" was not ready for use. Accordingly, for the year ended June 30, 2017, adjustments of \$839,361 was made to increase "Intangible asset", with corresponding adjustments made to reduce "Amortisation expense" of \$504,675 for the year ended June 30, 2017, and reduce the "Accumulated losses" at July 1, 2016 by \$334,686. The adjustment has the effect of reducing the "Loss before tax" for the year ended June 30, 2017 by \$504,675.
- d) Investment in the shares of Prestige Biopharmaceuticals Co., Ltd of \$1,730,000 was erroneously classified as Loans and receivables (within "Loans due from related parties") and stated at amortised cost at June 30, 2017. Under FRS 39 (the standard applicable in the year ended June 30, 2017), this investment should have been classified as Available for sale ("AFS") investments, and stated at the fair value of \$1,748,445 at June 30, 2017, with the changes in fair value of the investment reflected in the "Fair value reserve". A prior year adjustment was made to reclassify the investment of \$1,730,000 from Loans and receivables to AFS investments, and to state the investment at fair value by increasing the "AFS investment" by \$18,445 and increasing the "Fair value reserve" by the same amount. This adjustment has the effect of increasing "Other comprehensive income" for the year ended June 30, 2017 by \$18,445 and increasing "AFS investment" by \$18,445 as at July 1, 2017 for the Group and Company.
- e) "Intangible assets" previously reported at June 30, 2017 included non-qualifying cost of \$233,443 incurred during the year ended June 30, 2017; which were incorrectly capitalised as Development cost. Accordingly, adjustments were put through to reduce "Intangible assets" at July 1, 2017 by \$233,443, with a corresponding increase in "Research and development expenses" of \$233,443 for the year ended June 30, 2017.
- f) For the year ended June 30, 2017, the Company had over accrued for development costs of \$104,908 capitalised within "Intangible assets". Accordingly, adjustments were put through to reduce "Trade and other payables" by \$104,908, decrease "Intangible assets" by \$106,747 and increase in "Other losses" (exchange loss) of \$1,839 for the year ended June 30, 2017. The effect of these adjustments is to increase the "Loss for the year" ended June 30, 2017 by \$1,839.
- g) For the year ended June 30, 2017, the Company had recorded development costs of \$330,576 which were incurred in the year ended June 30, 2016. Accordingly, adjustments were put through to decrease "Research and development expenses" for the year ended June 30, 2017 by \$330,576, increase in "Other losses" (exchange loss) of \$7,431 for the financial year ended June 30, 2017 and increase in "Accumulated losses" of \$323,145 as at July 1, 2016. The effect of these adjustments is to increase the "Loss for the year" ended 30 June 2017 by \$7,431.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- h) During the financial year ended June 30, 2016, an interest free loan of SGD599,960, which matures on May 5, 2026, was advanced to the Company from a related party, Prestige Biopharmaceuticals Co., Ltd ("PBK"). The loan was recorded in the books of the Company at the cash value of SGD599,960 (\$444,744) instead of the present value of the loan of SGD31,924 (\$23,133), at the date of advance. Consequently, a gain was not recognised at the inception of the loan; and the corresponding interest expense for the years ended June 30, 2016 and 2017, was not recognised (upon the accretion of the loan liability at amortised cost). In order to correct the omission, the carrying value of the loan at June 30, 2017 was adjusted downwards by \$407,472 to a carrying value of \$27,282. Corresponding adjustments were made to increase "Finance cost" by \$4,956 and decrease "Other gains" (exchange loss) by \$8,651, for the year ended June 30, 2017. The opening "Accumulated losses" at July 1, 2016 was reduced by \$421,079. The effect of these adjustments is to increase the "Loss for the year" ended June 30, 2017 by \$13,607 and to reduce the closing "Accumulated losses" at June 30, 2017 by \$407,472.
- i) For the previous financial year ended June 30, 2017, no impairment on a "Loan due from related parties", Prestige Bioresearch Pte Ltd, was made. "Interest income" of \$816,235 was recognised on the loan for the year ended June 30, 2017. The Company has reassessed the financial and other information of the related party available at that point in time, and concluded that the related party was already facing significant financial difficulty at June 30, 2017. Consequently, a prior year adjustment of \$2,467,771 was made to impair the "Loan due from related parties" for the year ended June 30, 2017, to reverse interest income previously recognised of \$816,235 and to increase impairment losses of \$1,651,536 for the year ended June 30, 2017. This adjustment has the effect of increasing the loss before tax of the Group and the Company by \$2,467,771.
- j) During the previous financial year ended June 30, 2017, interest income for a loan extended by the Company to a related party, Prestige Biopharmaceuticals Co., Ltd (Note 9), was overstated by \$167,400. A prior year adjustment was made to reverse the "Interest income" recognised with the corresponding decrease in "Trade and other receivable" of \$167,400. The adjustment has the effect of increasing the "Loss before tax" of the Group and the Company by \$167,400.

Prestige Biopharma Pte Ltd. and subsidiaries
Notes to the Financial Statements
June 30, 2019 and 2018

29. Prior year adjustments (continued)

- k) The aggregate effect of adjustments a till j above on the "Loss before tax" for the year ended June 30, 2017 for the Group and the Company is shown below:

		Adjustments Increase/(decrease) in profit \$
Finance expenses	b	979,623
Amortisation expenses	c	504,675
	f	(1,839)
	g	(7,431)
Other loss		(9,270)
Impairment of financial assets	i	(1,651,536)
	j	(167,400)
	i	(816,235)
Other income		(983,635)
	e	(233,443)
	g	330,576
Research and development expenses		97,133
Other expenses		(1)
Finance expenses	h	(4,956)
Other gains	h	(8,651)
Total		(1,076,618)

30. Events occurring after balance sheet date

- (a) On August 4, 2019, the Group and Company drew down the remaining \$4,000,000 of the \$20,000,000 convertible loan facility that was granted on January 17, 2019 (Note 15). On October 7, 2019, the full amount of this loan was converted to redeemable convertible preference shares as part of the Company's "Series C" funding (Note 30(b)).
- (b) On October 17, 2019, the Company entered into a share subscription agreement with KB-SP Private Equity Fund IV, KBTS Technology Venture Private Equity Fund and Octava Fund Limited (the "lenders"), to issue redeemable convertible preference shares amounting to \$71,502,660 at an issue price of \$90 per share as part of the Company's "Series C" funding. The consideration for these preference shares, excluding the amount of the convertible loan that was directly converted to these preference shares as disclosed under Note 30(a), amounted to \$51,502,660. These preference shares are convertible to ordinary shares by the lenders at any time after one month from the date of issuance of the preference shares and are mandatorily convertible to ordinary shares at the end of three years from the date of issuance of the preference shares. As set out in the share subscription agreement, unless certain events occur in the future, these preference shares are convertible into ordinary shares at a ratio of 1:1. These preference shares are redeemable at anytime at the option of the lenders, but are not expected to be redeemed within the next 12 months.

31. Authorisation of financial statements

The consolidated financial statements for the financial year ended June 30, 2019 were authorised for issue in accordance with a resolution of the Board of Directors of Prestige Biopharma Pte Ltd. on December 16, 2019.