AHL
AHALIFE HOLDINGS LIMITED

# AHAlife Holdings Limited

**ABN 15 006 908 701**

# Annual Report - 30 June 2019

**AHAlife Holdings Limited**
**Chairman's report**
**30 June 2019**

Dear Shareholder,

On behalf of the Board of Directors of AHAlife Holdings Ltd ('AHAlife' or the 'consolidated entity'), I am pleased to present the 2019 Annual Report.

We kick started 2019 with a number of initiatives. Our new CEO, Rob Mancini undertook a detailed audit of all operational, technology and financial elements of the business. This audit and an assessment of the competitive landscape resulted in a series of aggressive and accelerated strategic changes, redefining how the AHAlife moves into 2020.

To support our strategy and growth plans we completed a successful capital raise of US$1.6 million in June and July 2019, providing AHAlife with forward flexibility to expand the business.

Late in Q3 AHAlife completed the acquisition of the award winning digital media company, Design Milk and its related websites Adorn Milk, Dog Milk, Milk Factory, and it's pop-up retail concept Milk Stand that supports independent brands and designers by offering retail space within high-traffic design focused events around the world.

As part of our plans to develop Design Milk we made a conscious decision to walk away from unprofitable sales and costly customer acquisition activities on AHAlife and Kaufmann Mercantile. We anticipated the drop in top line revenue and offset this in Q4 with our growing and high contributing Design Milk advertising revenue, resulting in a positive 5ppt gross margin improvement vs. FY18.

We restructured the operations and made further cost savings to the AHAlife and Kaufmann Mercantile businesses, enabling us to absorb the Design Milk operational costs whilst maintaining a relatively flat overall expense structure.

Upon completion of the Design Milk acquisition we designed and launched two test websites, Design Milk Everyday and Design Milk Travels, reflecting two of Design Milk's Instagram feeds of the same names that account for 3.2 million of Design Milk's growing audience of 7.5 million followers.

Having tested the opportunity of a combined media-content and e-commerce business we are pleased to announce the acceleration of our plans for a single fully integrated Design Milk website that will launch at the end of September. It will house all our Design Milk websites under one roof and combine e-commerce with our 20,000+ published articles, engaged global social media audience and large network of unique brands and designers.

As part of the focus toward Design Milk, Rob and the Management team have temporarily moved the AHAlife and Kaufmann Mercantile businesses off our proprietary systems in order to reset our technology backbone and enable a more efficient, cost effective future operating structure. Following the launch of the new integrated Design Milk website the AHAlife and Kaufmann Mercantile brands will be repositioned to compliment the lifestyle and category projection of the Design Milk business.

The Board and Management are very pleased with the speed of these recent changes and excited about the future potential and more efficient operating structure of AHAlife. H1 2020 will continue to be a period of development for the business as we rebuild the foundations of a business that offers the opportunity for multiple streams of revenue growth through e-commerce, advertising, pop-up retail, trade/b2b services and digital media.

I would like to thank you for your continued support and thank our Board, the executive team, and staff who work tirelessly to continue to build our business and capitalise on the fantastic market opportunity.

Mike Hill
Chairman

30 September 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of AHAlife Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

## Directors
The following persons were directors of AHAlife Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mike Hill - Chairman
Michael Everett
Christopher Colfer
Arnaud Massenet

## Principal activity
During the financial year the principal continuing activity of the consolidated entity was the sale of premium lifestyle and design products through multiple e-commerce platforms. During the year, the consolidated entity acquired Design Milk, the globally recognised, US-based digital media platform dedicated to modern design.

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

## Review of operations
The loss for the consolidated entity after providing for income tax amounted to US$2,643,241 (30 June 2018: US$2,691,460).

Refer to Chairman's report for further commentary on the review of operations.

*Going concern*
Based on recent capital raising as detailed below, the consolidated financial statements have been prepared on a going concern basis. This assumes that the consolidated entity will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business, for a period of at least 12 months from the date that these financial statements are approved. The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2019.

## Significant changes in the state of affairs
On 28 February 2019, the consolidated entity acquired the assets of Design Milk Holdings, LLC ('Design-milk') for the total consideration of $1,266,666. Design-milk is a globally recognised design and lifestyle-focused website sharing the latest news in art, architecture, interior design, furniture, fashion and technology to a highly engaged audience. Refer note 27 for further details of acquisition.

During the year, the company successfully completed capital raising of $841,875, before transaction costs, by issuing 171,837,540 ordinary shares. Refer note 15 for further details.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year
In July 2019, AHAlife Holdings Limited completed capital raising of US$797,222 (before costs) by issuing 161,301,742 ordinary shares.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## Likely developments and expected results of operations
Likely developments in the operations of the consolidated entity and the expected results of those operations are contained in the Chairman's report.

## Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Information on directors

| | |
|---|---|
| Name: | Mike Hill |
| Title: | Non-Executive Chairman |
| Qualifications: | Member of the Chartered Accountants Australia and New Zealand |
| Experience and expertise: | Mike has more than 20 years' experience working on corporate and private equity transactions in Australia and the United Kingdom. He is a former partner at Ernst & Young in their Mergers and Acquisition team and in 2003 joined Ironbridge Capital, a leading Sydney based private equity firm with US$1.2 billion of funds under management. Mike has worked as a senior member of the investment team at Ironbridge Capital for more than 10 years covering deal assessment, investment management and exit planning across a number of its portfolio companies. Mike has experience across numerous industries where he has served on company boards involved in the technology, retail, healthcare, media, waste services, tourism, hospitality and manufacturing sectors. His involvement with companies in these industries has been to work closely with founders and executive management teams to execute strategic growth objectives |
| Other current directorships: | Janison Education Group Limited (ASX:JAN) - appointed on 7 July 2014; Acrow Formwork and Construction Services Limited (ASX:ACF) - appointed on 24 December 2015; PKS Holdings Limited (ASX:PKS) - appointed on 26 June 2018. |
| Former directorships (last 3 years): | Non-Executive Director of LiveTiles Limited (ASX: LVT) - appointed 1 September 2014 - resigned on 5 September 2017 and JustKapital Limited (ASX: JKL) appointed on 30 March 2015 - resigned on 27 November 2017; Chairman of rhipe Limited (ASX: RHP) - appointed 12 March 2013 - resigned on 26 March 2019. |
| Special responsibilities: | Member of the Audit and Risk Committee |
| Interests in shares: | 20,890,385 |
| Interests in options: | None |
| Interests in rights: | None |

| | |
|---|---|
| Name: | Michael Everett |
| Title: | Non-Executive Director |
| Experience and expertise: | Michael has more than 25 years of capital markets and advisory experience. Michael retired from Goldman Sachs in 2013 after 11 years where he was Managing Director and co-head of the Financing Group within the Investment Banking Division in Australia. Prior to joining Goldman Sachs, he worked internationally for a large investment bank and has broad experience across the securities industry. During his career, he has advised a broad range of companies in a variety of industries. In late 2013, he established an independent capital markets advisory firm, Reunion Capital Partners. |
| Other current directorships: | None |
| Former directorships (last 3 years): | Non-Executive Director of rhipe Limited (ASX: RHP) - appointed 10 April 2014, resigned 27 January 2017; Janison Education Group Limited (ASX: JAN) appointed on 7 July 2014 - resigned on 7 June 2017; and Acrow Formwork and Construction Services Limited (ASX: ACF) appointed on 10 April 2014 - resigned on 27 January 2017. |
| Special responsibilities: | Member of the Audit and Risk Committee |
| Interests in shares: | 27,458,900 |
| Interests in options: | None |
| Interests in rights: | None |

| | |
|---|---|
| Name: | Christopher Colfer |
| Title: | Non-Executive Director |
| Experience and expertise: | Christopher is an international Chairman, Chief Executive and Board Director with an exemplary track record in multiple industry sectors including luxury goods, branded goods and e-commerce. He is highly skilled in strategy, retail, e-commerce, business development and marketing. He was the longest serving Non-Executive Board Member of online luxury fashion retailer The Net-A-Porter Group Limited, where he oversaw the initial investment by Richemont, saw its transformation into a billion-dollar company, and subsequently led the full acquisition in February 2010. Christopher was appointed as an Interim Chief Executive Office ('CEO') from 23 March 2018 until the appointment of new CEO Robert Mancini on 30 July 2018. |
| Other current directorships: | Christopher sits on the board of personalised fashion marketplace LYST, Nude by Nature and Huntsman & Sons. |
| Former directorships (last 3 years): | Crumpler Pty Ltd. |
| Special responsibilities: | Interim CEO between 23 March 2018 to 30 July 2018 |
| Interests in shares: | 57,142,857 |
| Interests in options: | None |
| Interests in rights: | None |

| | |
|---|---|
| Name: | Arnaud Massenet |
| Title: | Non-Executive Director |
| Qualifications: | CPA and an MBA from UNCC (North Carolina) |
| Experience and expertise: | Arnaud is the CEO of de-pury.com, an online art platform which he started 2 years ago with Simon and Michaela de Pury, Arnaud is the former CEO and founding partner of Luma, a leading alternative managed account platform in Europe, which was established with Gottex Asset Management Group in 2010. Arnaud is also a founding partner of the leading online fashion destination, The Net-A-Porter Group Limited, and was an active board member for over 10 years. Arnaud has also worked for over 13 years in investment banking, with leading firms such as Morgan Stanley and Lehman Brothers. |
| Other current directorships: | Chairman of GRIP and is a board member and CEO of the art-action platform, de-pury.com |
| Former directorships (last 3 years): | None |
| Interests in shares: | 78,846,153 |
| Interests in options: | None |
| Interests in rights: | None |

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

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

## Company secretary

Andrew Whitten has held the role of company secretary since 17 January 2014. Andrew is currently the company secretary of a number of publicly listed companies. He holds a Bachelor of Arts (Economics) from the University of New South Wales, a Master of Laws and Legal Practice from the University of Technology, Sydney and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia. He is an admitted solicitor with a speciality in corporate finance and securities law and is a Solicitor Director of Whittens. Andrew is an elected Associate of the Governance Institute of Australia.

**Meetings of directors**

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

| | Full Board | | Audit and Risk Committee | |
|---|---|---|---|---|
| | Attended | Held | Attended | Held |
| Mike Hill | 12 | 13 | 2 | 2 |
| Michael Everett | 13 | 13 | 2 | 2 |
| Christopher Colfer | 13 | 13 | - | - |
| Arnaud Massenet | 11 | 13 | - | - |

Held: represents the number of meetings held during the time the director held office.

**Remuneration report (audited)**

The remuneration report details the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

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

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

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

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards

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

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

As prescribed by the Listing Rules of the ASX, the aggregate remuneration of non-executive directors is determined from time to time by shareholders at general meeting. Non-executive directors’ fees (including statutory superannuation) are determined within an aggregate directors’ fee pool limit. The pool currently stands at a maximum of $500,000 per annum in total, which was approved by shareholders on 10 March 2014.

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

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits;
- share-based payments; and
- other remuneration such as superannuation.

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

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

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

No short-term incentive ('STI') plan was in place during the financial year ended 30 June 2019 and 30 June 2018.

The long-term incentives ('LTI') include share-based payments. During the year 16,908,954 options and performance rights valued at US$220,000 were issued to KMP. Refer to 'share-based compensation' section below for vesting conditions and other particulars relating to LTI.

The Board reviewed the long-term equity-linked performance incentives specifically for executives during the financial year ended 30 June 2019. Refer to 'share-based payments' section below for details of options awarded in the previous year.

*Consolidated entity performance and link to remuneration*
LTI comprising of share-based payments are directly linked to the performance of the consolidated entity. Share based payments include executive options and performance options. LTI have various vesting conditions including: a continuous period of service with the consolidated entity; volume weighted average share price; consolidated entity revenue targets; and/or cash flow targets. Refer to the section 'Additional information' below for details of the earnings and total shareholders return for the current year.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

*Use of remuneration consultants*
During the financial year ended 30 June 2019, the consolidated entity did not engage any remuneration consultants.

*Voting and comments made at the company's 2018 Annual General Meeting ('AGM')*
At the 2018 AGM, shareholders voted to approve the adoption of the remuneration report of the company for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

The key management personnel of the consolidated entity consisted of the following directors of AHAlife Holdings Limited:

- Mike Hill - Non-Executive Chairman
- Christopher Colfer - Interim Chief Executive Officer (Interim 'CEO') - from 23 March 2018 to 30 July 2018
- Michael Everett - Non-Executive Director
- Arnaud Massenet - Non-Executive Director

And the following persons:

- Robert Mancini - Chief Executive Officer ('CEO') from 30 July 2018
- Stuart Halls - Chief Financial Officer and Chief Operating Officer - until 7 November 2018

Amounts of remuneration:
Details of the remuneration of KMP of the consolidated entity are set out in the following tables.

The Board resolved that no remuneration was payable to the directors for the year ended 30 June 2019.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments Equity settled | |
|---|---|---|---|---|---|---|---|---|
| **2019** | Salary and fees US$ | Cash bonus US$ | Non-monetary US$ | Super-annuation US$ | Long service leave US$ | Termination benefits US$ | options/ rights US$ | Total US$ |
| *Other Key Management Personnel:* | | | | | | | | |
| Robert Mancini* | 55,417 | - | 2,126 | - | - | - | 182,481 | 240,024 |
| Stuart Halls** | 85,030 | - | - | 7,588 | - | - | (12,092) | 80,526 |
| | 140,447 | - | 2,126 | 7,588 | - | - | 170,389 | 320,550 |

* Key management personnel of the consolidated entity from 30 July 2018.
** Key management personnel of the consolidated entity from 1 July 2017 to 7 November 2018.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments Equity settled | |
|---|---|---|---|---|---|---|---|---|
| **2018** | Salary and fees US$ | Cash bonus US$ | Non-monetary US$ | Super-annuation US$ | Long service leave US$ | Termination benefits US$ | options/ rights US$ | Total US$ |
| *Non-Executive Directors:* | | | | | | | | |
| Mike Hill - Chairman | 30,674 | - | - | 2,914 | - | - | - | 33,588 |
| Michael Everett | 25,573 | - | - | 2,429 | - | - | - | 28,002 |
| Arnaud Massenet* | 20,000 | - | - | - | - | - | - | 20,000 |
| *Executive Directors:* | | | | | | | | |
| Christopher Colfer | 45,573 | - | - | 2,429 | - | - | - | 48,002 |
| *Other Key Management Personnel:* | | | | | | | | |
| Sebastian Kaufmann** | 150,833 | - | 4,063 | - | - | 55,000 | (24,706) | 185,190 |
| Stuart Halls | 207,703 | - | - | 19,732 | - | - | 27,940 | 255,375 |
| | 480,356 | - | 4,063 | 27,504 | - | 55,000 | 3,234 | 570,157 |

* Key management personnel of the consolidated entity from 1 October 2017
** Key management personnel of the consolidated entity from 1 July 2017 to 7 March 2018

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

| | Fixed remuneration | | At risk - LTI | |
|---|---|---|---|---|
| Name | 2019 | 2018 | 2019 | 2018 |
| *Non-Executive Directors:* | | | | |
| Mike Hill | - | 100% | - | - |
| Michael Everett | - | 100% | - | - |
| Arnaud Massenet | - | 100% | - | - |
| *Executive Directors:* | | | | |
| Christopher Colfer | - | 100% | - | - |
| *Other Key Management Personnel:* | | | | |
| Robert Mancini | 83% | - | 17% | - |
| Stuart Halls | 115% | 89% | (15%) | 11% |
| Sebastian Kaufmann | - | 100% | - | - |

***Service agreements***

The employment agreements contain substantially the same terms which include usual statutory entitlements, typical confidentiality and intellectual property provisions intended to protect the consolidated entity's intellectual property rights and other proprietary information and non-compete clauses.

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

| | |
|---|---|
| Name: | Mike Hill |
| Title: | Non-Executive Chairman |
| Agreement commenced: | 1 August 2015 |
| Term of agreement: | Ongoing |
| Details: | Termination by the consolidated entity with reason, immediately with no notice period. Termination by the consolidated entity without reason, 3 months' written notice period. Termination by the director with or without reason, 3 months' written notice period. |

| | |
|---|---|
| Name: | Christopher Colfer |
| Title: | Non-Executive Director and Interim Chief Executive Officer from 23 March 2018 to 30 July 2018 |
| Agreement commenced: | 23 March 2016 |
| Term of agreement: | Ongoing |
| Details: | Termination by the consolidated entity with reason, immediately with no notice period. Termination by the director at the request of the consolidated entity, 3 months' written notice period. Termination by the director at his own election, immediately with no notice. |

| | |
|---|---|
| Name: | Michael Everett |
| Title: | Non-Executive Director |
| Agreement commenced: | 1 August 2015 |
| Term of agreement: | Ongoing |
| Details: | Termination by the consolidated entity with reason, immediately with no notice period. Termination by the consolidated entity without reason, 3 months' written notice period. Termination by the director with or without reason, 3 months' written notice period. |

| | |
|---|---|
| Name: | Arnaud Massenet |
| Title: | Non-Executive Director |
| Agreement commenced: | 1 October 2017 |
| Term of agreement: | Ongoing |
| Details: | Termination by the consolidated entity with reason, immediately with no notice period. Termination by the consolidated entity without reason, 3 months' written notice period. Termination by the director with or without reason, 3 months' written notice period. |

| | |
|---|---|
| Name: | Robert Mancini |
| Title: | Chief Executive Officer ('CEO') |
| Agreement commenced: | 30 July 2018 |
| Term of agreement: | Ongoing |
| Details: | Termination by consolidated entity for any reason, 4 months' written notice. Termination by the director for any reason, 4 months' written notice. Termination by the consolidated entity with reason, immediately with no notice. |

| | |
|---|---|
| Name: | Stuart Halls |
| Title: | Chief Financial Officer and Chief Operating Officer ('CFO and COO') |
| Agreement commenced: | 1 March 2017 |
| Term of agreement: | Ongoing (resigned on 7 November 2018) |
| Details: | Termination by the consolidated entity with reason, immediately with no notice. Termination at the request of the consolidated entity, 3 months' written notice period. Termination by the CFO/COO at his own election, immediately with no notice. |

KMP have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2019.

*Options*
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

| Grant date | Expiry date | Particulars | Exercise price | Fair value per option at grant date |
|---|---|---|---|---|
| 23/03/2018 | 23/03/2028 | Stuart Halls: 20,491,709 options which vest when the consolidated entity's Booked Sales in a rolling 12 month period exceeds US$10 million (30% vest), US$15 million (30% vest), US$20million (30% vest); and once the consolidated entity achieves break-even EBITDA within a rolling 12 month period (10% vest). | A$0.018 | A$0.0208 |
| 30/07/2018 | 30/07/2028 | Robert Mancini: 16,908,954 options which vest when the consolidated entity's Booked Sales in a rolling 12 month period exceeds US$10 million (30% vest), US$15 million (30% vest), US$20million (30% vest); and once the consolidated entity achieves break-even EBITDA within a rolling 12 month period (10% vest). | 30-day volume weighted share price following each month's vesting | A$0.0140 |

The number of options over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

| Name | Number of options granted during the year 2019 | Number of options granted during the year 2018 | Number of options vested during the year 2019 | Number of options vested during the year 2018 |
|---|---|---|---|---|
| Stuart Halls | - | 20,491,709 | - | - |
| Robert Mancini | 16,908,954 | - | - | - |

*Performance rights*
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

| Grant date | Expiry date | Particulars | Share price hurdle for vesting | Fair value per right at grant date |
|---|---|---|---|---|
| 30/07/2018 | 30/07/2019 | Robert Mancini: Performance rights valued at US$220,000 will be issued on the first anniversary of employment. 1/12 of the value of performance rights vest at the end of every month for the 12 month period beginning August 2018. The number of shares to be issued will be based on AHAlife Holdings Limited share price on vesting dates. | N/A | A$0.011 |

The number of performance rights over ordinary shares granted to and vested in directors and other KMP as part of compensation during the year ended 30 June 2019 are set out below:

| Name | Number of rights granted during the year 2019 | Number of rights granted during the year 2018 | Number of rights vested during the year 2019 | Number of rights vested during the year 2018 |
|---|---|---|---|---|
| Sebastian Kaufmann | - | - | - | 347,058 |
| Stuart Halls | - | - | - | 119,962 |
| Robert Mancini* | - | - | - | - |

* Performance rights valued at US$220,000 were granted during the year. 1/12 of the value of performance rights vest at the end of every month for the 12 month period beginning August 2018. The number of shares to be issued will be based on AHAlife Holdings Limited share price on vesting dates.

***Additional information***
The earnings of the consolidated entity since listing are summarised below:

| | 2019 US$ | 2018 US$ | 2017 US$ |
|---|---|---|---|
| Sales revenue | 3,222,433 | 4,904,034 | 5,043,208 |
| Loss after income tax | (2,643,241) | (2,691,460) | (2,950,077) |

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

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Share price at financial year end (A$) | 0.01 | 0.02 | 0.03 |
| Basic earnings per share (cents per share) | (0.38) | (0.52) | (1.83) |

***Additional disclosures relating to key management personnel***

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

| | Balance at the start of the year | Vesting of options/ rights | Additions | Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Ordinary shares* | | | | | |
| Mike Hill | 10,176,100 | - | - | - | 10,176,100 |
| Michael Everett | 16,744,615 | - | - | - | 16,744,615 |
| Christopher Colfer | 50,000,000 | - | - | - | 50,000,000 |
| Arnaud Massenet | 53,846,153 | - | - | - | 53,846,153 |
| Robert Mancini | - | - | 6,281,666 | - | 6,281,666 |
| Stuart Halls* | 2,897,829 | - | - | (2,897,829) | - |
| | 133,664,697 | - | 6,281,666 | (2,897,829) | 137,048,534 |

* For Stuart Halls 'other' represents shares held at resignation date.

*Option holding*
The number of options over ordinary shares in the company held during the financial year by each director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ Other | Balance at the end of the year |
|---|---|---|---|---|---|
| *Options over ordinary shares* | | | | | |
| Mike Hill | 175,000 | - | - | - | 175,000 |
| Michael Everett | 212,500 | - | - | - | 212,500 |
| Stuart Halls | 20,491,709 | - | - | (20,491,709) | - |
| Robert Mancini | - | 16,908,954 | - | - | 16,908,954 |
| | 20,879,209 | 16,908,954 | - | (20,491,709) | 17,296,454 |

* For Stuart Halls 'other' represents options held at resignation date.

| | Vested and exercisable | Vested and unexercisable | Balance at the end of the year |
|---|---|---|---|
| *Options over ordinary shares* | | | |
| Mike Hill | 175,000 | - | 175,000 |
| Michael Everett | 212,500 | - | 212,500 |
| | 387,500 | - | 387,500 |

*Performance rights over ordinary shares*
Rights granted to Robert Mancini: Performance rights valued at US$220,000 were granted during the year. 1/12 of the value of performance rights vest at the end of every month for the 12 month period beginning August 2018. The number of shares to be issued will be based on AHAlife Holdings Limited share price on vesting dates.

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

## Shares under option
There were 22,159,616 unissued ordinary shares of AHAlife Holdings Limited under option outstanding at the date of this report. These options are exercisable at a weighted average exercise price of US$0.016 per share.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

## Shares under performance rights
Performance rights valued at US$ 853,334 will be issued in the future on satisfaction of vesting conditions. The number of shares to be issued will be based on AHAlife Holdings Limited share price on vesting date.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

## Shares issued on the exercise of options
There were no ordinary shares of AHAlife Holdings Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

## Shares issued on the exercise of performance rights
There were no ordinary shares of AHAlife Holdings Limited issued on the exercise of performance rights during the year ended 30 June 2019 and up to the date of this report.

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

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

**Indemnity and insurance of auditor**

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during the financial year and up to the date of this report.

**Proceedings on behalf of the company**

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

**Non-audit services**

There were no non-audit services provided during the financial year by the auditor.

**Officers of the company who are former partners of Ernst & Young**

There are no officers of the company who have been audit partners of Ernst & Young for the past three years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 follows this directors' report.

**Auditor**

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Mike Hill
Chairman

30 September 2019

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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# Auditor's Independence Declaration to the Directors of AHAlife Holdings Limited

As lead auditor for the audit of AHAlife Holdings Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AHAlife Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Julian M. O'Brien
Partner
Sydney
30 September 2019

**AHAlife Holdings Limited**
**Contents**
**30 June 2019**

**AHAlife Holdings Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2019**

| | Note | Consolidated 2019 US$ | 2018 US$ |
|---|---|---|---|
| **Revenue** | | | |
| Sale of goods | | 3,000,578 | 4,904,034 |
| Advertising revenue | | 221,855 | - |
| Total sales revenue | 5 | 3,222,433 | 4,904,034 |
| Cost of goods sold | | (1,746,900) | (2,895,927) |
| Gross margin | | 1,475,533 | 2,008,107 |
| Other income | 6 | 352,260 | 360,389 |
| Interest revenue calculated using the effective interest method | | 81 | 1,526 |
| **Expenses** | | | |
| Employee benefit expenses | 7 | (1,683,717) | (1,575,286) |
| Marketing expenses | | (823,583) | (1,130,601) |
| Technology expenses | | (353,292) | (335,360) |
| Freight and warehousing expenses | | (401,881) | (667,162) |
| Occupancy and administrative expenses | | (554,085) | (746,959) |
| Professional fees | | (174,957) | (336,703) |
| Depreciation and amortisation expenses | 7 | (144,179) | (191,613) |
| Other expenses | | (326,674) | (71,434) |
| Finance costs | 7 | (8,747) | (6,364) |
| **Loss before income tax expense** | | (2,643,241) | (2,691,460) |
| Income tax expense | 8 | - | - |
| **Loss after income tax expense for the year attributable to the owners of AHAlife Holdings Limited** | | (2,643,241) | (2,691,460) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | | (36,733) | (10,213) |
| Other comprehensive income for the year, net of tax | | (36,733) | (10,213) |
| **Total comprehensive income for the year attributable to the owners of AHAlife Holdings Limited** | | (2,679,974) | (2,701,673) |
| | | **Cents** | **Cents** |
| Basic earnings per share | 30 | (0.38) | (0.52) |
| Diluted earnings per share | 30 | (0.38) | (0.52) |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**AHAlife Holdings Limited**
**Statement of financial position**
**As at 30 June 2019**

| | Note | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | 796,265 | 3,237,233 |
| Trade and other receivables | 10 | 194,210 | 25,581 |
| Inventories | | 68,186 | 60,532 |
| Other | 11 | 148,789 | 98,046 |
| Total current assets | | 1,207,450 | 3,421,392 |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 30,026 | 146,812 |
| Intangibles | 13 | 1,258,333 | 16,042 |
| Security deposits | | 57,140 | 57,790 |
| Total non-current assets | | 1,345,499 | 220,644 |
| **Total assets** | | 2,552,949 | 3,642,036 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 951,805 | 605,180 |
| Contract liabilities and deferred revenue | | 37,617 | 100,241 |
| Other | | 84,877 | 56,043 |
| Total current liabilities | | 1,074,299 | 761,464 |
| **Non-current liabilities** | | | |
| Lease make good provision | | 68,000 | 68,000 |
| Rental security deposit | | 57,000 | 57,000 |
| Total non-current liabilities | | 125,000 | 125,000 |
| **Total liabilities** | | 1,199,299 | 886,464 |
| **Net assets** | | 1,353,650 | 2,755,572 |
| **Equity** | | | |
| Contributed equity | 15 | 53,296,618 | 52,499,915 |
| Reserves | 16 | 1,105,646 | 649,173 |
| Accumulated losses | | (53,048,614) | (50,393,516) |
| **Total equity** | | 1,353,650 | 2,755,572 |

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

**AHAlife Holdings Limited**
**Statement of changes in equity**
**For the year ended 30 June 2019**

| Consolidated | Contributed equity US$ | Reserves US$ | Accumulated losses US$ | Total equity US$ |
|---|---|---|---|---|
| Balance at 1 July 2017 | 47,607,791 | 650,411 | (47,702,056) | 556,146 |
| Loss after income tax expense for the year | - | - | (2,691,460) | (2,691,460) |
| Other comprehensive income for the year, net of tax | - | (10,213) | - | (10,213) |
| Total comprehensive income for the year | - | (10,213) | (2,691,460) | (2,701,673) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 15) | 4,892,124 | - | - | 4,892,124 |
| Share-based payments (note 31) | - | 8,975 | - | 8,975 |
| Balance at 30 June 2018 | 52,499,915 | 649,173 | (50,393,516) | 2,755,572 |

| Consolidated | Contributed equity US$ | Reserves US$ | Accumulated losses US$ | Total equity US$ |
|---|---|---|---|---|
| Balance at 1 July 2018 | 52,499,915 | 649,173 | (50,393,516) | 2,755,572 |
| Adjustment for change in accounting policy (note 2) | - | - | (11,857) | (11,857) |
| Balance at 1 July 2018 - restated | 52,499,915 | 649,173 | (50,405,373) | 2,743,715 |
| Loss after income tax expense for the year | - | - | (2,643,241) | (2,643,241) |
| Other comprehensive income for the year, net of tax | - | (36,733) | - | (36,733) |
| Total comprehensive income for the year | - | (36,733) | (2,643,241) | (2,679,974) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Contributions of equity, net of transaction costs (note 15) | 796,703 | - | - | 796,703 |
| Share-based payments (note 31) | - | 226,540 | - | 226,540 |
| Shares/options issued on acquisition of business (note 27) | - | 266,666 | - | 266,666 |
| Balance at 30 June 2019 | 53,296,618 | 1,105,646 | (53,048,614) | 1,353,650 |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**AHAlife Holdings Limited**
**Statement of cash flows**
**For the year ended 30 June 2019**

| | Note | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 3,065,982 | 4,922,962 |
| Payments to suppliers and employees | | (6,025,890) | (7,923,904) |
| Interest received | | 81 | 1,526 |
| Receipts from other income | | 234,669 | 360,389 |
| Interest and other finance costs paid | | (8,747) | (6,364) |
| Net cash used in operating activities | 29 | (2,733,905) | (2,645,391) |
| **Cash flows from investing activities** | | | |
| Payment for purchase of business, net of cash acquired | 27 | (500,000) | - |
| Payments for property, plant and equipment | 12 | (4,416) | (3,925) |
| Proceeds from release of security deposits | | 650 | 905 |
| Net cash used in investing activities | | (503,766) | (3,020) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | 15 | 841,875 | 5,227,992 |
| Share issue transaction costs | 15 | (45,172) | (335,868) |
| Net cash from financing activities | | 796,703 | 4,892,124 |
| Net increase/(decrease) in cash and cash equivalents | | (2,440,968) | 2,243,713 |
| Cash and cash equivalents at the beginning of the financial year | | 3,237,233 | 993,520 |
| Cash and cash equivalents at the end of the financial year | 9 | 796,265 | 3,237,233 |

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

## Note 1. General information

The financial statements cover AHAlife Holdings Limited (referred to as the 'company' or 'parent') as a consolidated entity consisting of AHAlife Holdings Limited and the entities it controlled at the end of, or during, the year (referred to as the 'consolidated entity'). The financial statements are presented in United States dollars, which is AHAlife Holdings Limited's presentation currency. The functional currency of AHAlife Holdings Inc. is United States dollars and AHAlife Holdings Limited is Australian dollars. AHAlife Holdings Inc is a 100% controlled subsidiary and the main operating entity of the consolidated entity.

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

| Registered office | Principal place of business |
| --- | --- |
| Level 5, 126 Phillip Street<br>Sydney, NSW 2000<br>Australia | Suite 205<br>939 N High Street<br>Columbus, OH 43201<br>United States of America |

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2019. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### New or amended Accounting Standards and Interpretations adopted

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

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

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

*AASB 9 Financial Instruments*
The consolidated entity has adopted AASB 9 from 1 July 2018, using the option not to restate comparatives. The standard introduced new classification and measurement models for financial assets.

- A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.
- A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.
- All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

## Note 2. Significant accounting policies (continued)

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There was no significant impact on adoption of AASB 9.

*AASB 15 Revenue from Contracts with Customers*
The consolidated entity has adopted AASB 15 from 1 July 2018, using the modified retrospective approach.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

*Impact of adoption*
The Group has adopted Accounting Standards AASB 9 and AASB 15 for the year ended 30 June 2019. The Accounting Standards were adopted from 1 July 2018 using the transitional rules available and therefore comparatives have not been restated.

The adoption of AASB 9 had no material impact on the consolidated entity's trade receivables or cash and cash equivalents due to the implementation of ECL.

The adoption of AASB 15 resulted in the following adjustments:
- deferred revenue and customer loyalty liabilities are now classified as contract liabilities (reclassification only); and
- revenue is now recognised on receipt to the customer of the goods as opposed to on dispatch (revenue is recognised later resulting in higher inventory asset and higher contract liabilities).

The impact of adoption of these accounting standards on opening accumulated losses as at 1 July 2018 was as follows:

| | US$ |
|---|---|
| Contract liability | (42,789) |
| Inventory | 27,682 |
| Trade payables | 3,250 |
| Impact on opening accumulated losses as at 1 July 2018 | (11,857) |

The impact of AASB 15 compared to the previous AASB 118 'Revenue' on the current reporting year was not significant.

### Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

## Note 2. Significant accounting policies (continued)

*Historical cost convention*
The financial statements have been prepared under the historical cost convention with the exception of financial instruments that are measured at fair value on initial recognition.

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

### Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AHAlife Holdings Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

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

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### Foreign currency translation
The financial statements are presented in United States dollars, which is AHAlife Holdings Limited's presentation currency.

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

**Note 2. Significant accounting policies (continued)**

*Non-US functional currency operations*
The assets and liabilities of non-US functional currency operations are translated into United States dollars using the exchange rates at the reporting date. The revenues and expenses of non-US functional currency operations are translated into United States dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the year. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

**Revenue recognition**
The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer at the point when the customer has placed an order on the website and has received a confirmation of their order including details on the delivery of their goods or services; identifies the performance obligations in the contract; determines the transaction price which takes into account the advertised selling price of each good or service contained within the customer's order and any estimates of variable consideration such as promotional discounts the redemption of store credit or gift cards; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when the transfer of control of goods or services takes place which is generally when the goods have been delivered.

Variable consideration within the transaction price, reflects concessions provided to the customer such as promotional discounts, the right of the customer to return the goods or services, the redemption of store credit, or the redemption of gift cards. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

*Sale of goods*
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Revenue from the sale of goods includes revenue earned from the shipment of goods to customers which is also recognised on delivery of goods.

*Advertising revenue*
Display advertising revenue is recognised over time as advertisements are displayed. Sponsored online content revenue is recognised at the point in time when published.

*Rental income*
Rental income is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned. Rental income are included within note 6 'other income'.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

## Note 2. Significant accounting policies (continued)

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

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

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

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

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

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

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

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Note 2. Significant accounting policies (continued)

### Property, plant and equipment

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

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

| | |
|---|---|
| Furniture and fixtures | 7 years |
| Leasehold improvements | 4 to 5 years |
| Machinery and equipment | 5 years |
| Computer equipment | 3 years |

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Intangible assets

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

*Goodwill*

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

## Note 2. Significant accounting policies (continued)

*Customer lists*
Customer lists acquired are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of two to three years.

*Trade name and trademarks*
Trade name and trademarks acquired in a business combination are not amortised on the basis that they have an indefinite life. This is reassessed every year. Instead, they are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and are carried at cost less accumulated impairment losses.

*Customer relationships*
Customer relationships acquired are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of ten years.

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

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

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

### Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

### Finance costs
Finance costs are expensed to profit or loss in the period in which they are incurred using the effective interest rate method.

### Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Employee benefits

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

**Note 2. Significant accounting policies (continued)**

*Share-based payments*
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Fair value measurement**
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

**Contributed equity**
Ordinary shares are classified as equity.

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

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

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

## Note 2. Significant accounting policies (continued)

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

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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

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

### Earnings per share

*Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to the owners of AHAlife Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements or share splits in ordinary shares issued during the financial year.

*Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

## Note 2. Significant accounting policies (continued)

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. For lessee accounting, the standard eliminates the ‘operating lease’ and ‘finance lease’ classification required by AASB 117 ‘Leases’. Subject to exceptions, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and office furniture) where an accounting policy choice exists whereby either a ‘right-of-use’ asset is recognised or lease payments are expensed to profit or loss as incurred. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) components. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity plans to adopt AASB 16 using the modified retrospective approach, where the right-of-use-asset at the date of initial application (1 July 2019) is measured at an amount equal to the lease liability. The impact of adoption of this standard, based on an initial assessment, is not expected to be material to the consolidated entity (refer to note 23 for the details of lease commitments).

*New Conceptual Framework for Financial Reporting*
A revised Conceptual Framework for Financial Reporting is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 'Amendments to Australian Accounting Standards – References to the Conceptual Framework', also applicable from 1 January 2020, includes such amendments. Where the consolidated entity has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the consolidated entity may need to revisit such policies. The consolidated entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

*Other amending accounting standards*
Other amending accounting standards and interpretations issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments.

## Note 3. Critical accounting judgements, estimates and assumptions

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

*Share-based payment transactions*
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted and expected volatility. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Goodwill and other indefinite life intangible assets*
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on fair value less cost of disposal. Fair value less cost of disposal has been determined using recent arms' length transaction.

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

*Business combinations*
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

## Note 4. Operating segments

*Identification of reportable operating segments*
The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Board of Directors who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The directors have determined that there is one operating segment identified and located in the United States of America. The information reported to the CODM is the consolidated results of the consolidated entity.

The operating segment information is the same information as provided throughout the financial statements and is therefore not duplicated.

The information reported to the CODM is on a monthly basis.

*Major customers*
During the year ended 30 June 2019, there were no external customers (2018:Nil) where revenue exceeded 10% of the consolidated revenue.

## Note 5. Revenue

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

| | Consolidated 2019 US$ |
|---|---|
| *Major product lines* | |
| Sale of goods | 3,000,578 |
| Advertising revenue | 221,855 |
| | 3,222,433 |
| *Timing of revenue recognition* | |
| Goods transferred at a point in time | 3,000,578 |
| Services transferred at a point in time | 178,126 |
| Services transferred over time | 43,729 |
| | 3,222,433 |

The revenue from contracts with customers is generated substantially all from the United States of America. AASB 15 was adopted using the modified retrospective approach and as such comparatives relating to disaggregation of revenue have not been presented.

## Note 6. Other income

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Rental income | 352,260 | 342,000 |
| Income from relocation and employment assistance program | - | 18,389 |
| Other income | 352,260 | 360,389 |

## Note 7. Expenses

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Loss before income tax includes the following specific expenses: | | |
| *Depreciation* | | |
| Fixtures and fittings | 1,282 | 1,182 |
| Leasehold improvements | 104,897 | 90,784 |
| Machinery and equipment | 2,357 | 4,559 |
| Computer equipment | 12,666 | 21,250 |
| Total depreciation | 121,202 | 117,775 |
| *Amortisation* | | |
| Customer list | 14,644 | 73,838 |
| Customer relationships | 8,333 | - |
| Total amortisation | 22,977 | 73,838 |
| Total depreciation and amortisation | 144,179 | 191,613 |
| *Employee benefit expenses* | | |
| Salaries and wages | 1,449,589 | 1,539,789 |
| Defined contribution superannuation expense | 7,588 | 26,522 |
| Share-based payments expense | 226,540 | 8,975 |
| Total employee benefit expenses | 1,683,717 | 1,575,286 |
| *Finance costs* | | |
| Interest and finance charges paid/payable | 8,747 | 6,364 |
| *Rental expense relating to operating leases* | | |
| Lease payments | 302,324 | 344,914 |

## Note 8. Income tax expense

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| Loss before income tax expense | (2,643,241) | (2,691,460) |
| Tax at the statutory tax rate of 21% (2018: 27.5%) | (555,081) | (740,152) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Non-deductible items | 5,031 | 12,619 |
| | (550,050) | (727,533) |
| Current year tax losses not recognised | 550,050 | 727,533 |
| Income tax expense | - | - |

The statutory tax rate of 21% (2018: 27.5%) relates to the United States of America tax jurisdiction where the main operating entity AHAlife Holdings Inc is incorporated. 2018 tax rate of 27.5% is a calculated rate based on the 2017 calendar rate of 34% and the 2018 calendar rate of 21%.

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| *Tax losses not recognised* | | |
| Unused tax losses for which no deferred tax asset has been recognised | 39,756,893 | 39,520,083 |
| Potential tax benefit at statutory tax rates | 8,348,948 | 10,007,292 |

The potential tax benefit for tax losses has not been recognised in the statement of financial position. The tax losses will begin to expire in 2030 unless previously utilised. Utilisation of the carry forward tax losses may be subject to a substantial annual limitation due to the ownership change limitations provided by the tax code, if a change in ownership occurs. Any annual limitation may result in the expiration of net operating losses before utilisation.

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| *Deferred tax assets not recognised* | | |
| Deferred tax assets not recognised comprises temporary differences attributable to: | | |
| Intangibles | 107,228 | 121,339 |
| Deferred rent | 9,105 | 12,440 |
| Plant and equipment | 42,088 | 31,890 |
| Inventory reserve | (373) | 1,188 |
| Total deferred tax assets not recognised | 158,048 | 166,857 |

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

## Note 8. Income tax expense (continued)

*Sales Tax*
Sales tax is a consumption tax imposed by state governments within the United States on the sale of goods and services. It is levied at the point of sale, collected by the retailer, and passed on to the relevant State government. In June 2018 the US Supreme Court ruled in favour of States requiring internet retailers to collect sales taxes based on the existence of an economic nexus rather a physical presence. The consolidated entity will act in accordance with individual State requirements to collect and remit sales tax based on the laws within each State where it is deemed an economic nexus exists and where it has met or exceeded local sales tax thresholds.

## Note 9. Current assets - cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Cash at bank and on hand | 539,428 | 3,237,233 |
| Cash - held-in-trust | 256,837 | - |
| | 796,265 | 3,237,233 |

## Note 10. Current assets - trade and other receivables

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Trade and other receivables | 254,259 | 25,581 |
| Less: Allowance for expected credit losses | (60,049) | - |
| | 194,210 | 25,581 |

*Allowance for expected credit losses*
The consolidated entity has recognised a loss of US$60,049 (2018: US$ nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

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

| Consolidated | Expected credit loss rate 2019 % | Carrying amount 2019 US$ | Allowance for expected credit losses 2019 US$ |
|---|---|---|---|
| Not overdue | - | 134,161 | - |
| 0 to 3 months overdue | 50% | 120,098 | 60,049 |
| | | 254,259 | 60,049 |

## Note 11. Current assets - other

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Prepayments | 120,544 | 95,241 |
| GST receivable | 28,245 | 2,805 |
| | 148,789 | 98,046 |

## Note 12. Non-current assets - property, plant and equipment

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Furniture and fixtures - at cost | 6,991 | 5,396 |
| Less: Accumulated depreciation | (3,594) | (2,312) |
| | 3,397 | 3,084 |
| Leasehold improvements - at cost | 363,580 | 363,580 |
| Less: Accumulated depreciation | (343,285) | (238,388) |
| | 20,295 | 125,192 |
| Machinery and equipment - at cost | 25,247 | 25,247 |
| Less: Accumulated depreciation | (22,991) | (20,634) |
| | 2,256 | 4,613 |
| Computer equipment - at cost | 66,739 | 63,918 |
| Less: Accumulated depreciation | (62,661) | (49,995) |
| | 4,078 | 13,923 |
| | 30,026 | 146,812 |

*Reconciliations*

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

| Consolidated | Furniture and fixtures US$ | Leasehold improvements US$ | Machinery and equipment US$ | Computer equipment US$ | Total US$ |
|---|---|---|---|---|---|
| Balance at 1 July 2017 | 3,615 | 215,976 | 9,172 | 31,899 | 260,662 |
| Additions | 651 | - | - | 3,274 | 3,925 |
| Depreciation expense | (1,182) | (90,784) | (4,559) | (21,250) | (117,775) |
| Balance at 30 June 2018 | 3,084 | 125,192 | 4,613 | 13,923 | 146,812 |
| Additions | 1,595 | - | - | 2,821 | 4,416 |
| Depreciation expense | (1,282) | (104,897) | (2,357) | (12,666) | (121,202) |
| Balance at 30 June 2019 | 3,397 | 20,295 | 2,256 | 4,078 | 30,026 |

## Note 13. Non-current assets - intangibles

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Goodwill - at cost | 286,666 | - |
| | | |
| Customer list - at cost | 161,183 | 180,167 |
| Less: Accumulated amortisation | (161,183) | (164,125) |
| | - | 16,042 |
| | | |
| Trade name and trademarks - at cost | 730,000 | - |
| | | |
| Customer relationships - at cost | 250,000 | - |
| Less: Accumulated amortisation | (8,333) | - |
| | 241,667 | - |
| | | |
| | 1,258,333 | 16,042 |

*Reconciliations*

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

| Consolidated | Goodwill US$ | Customer list US$ | Trade name and trademarks US$ | Customer relationships US$ | Total US$ |
|---|---|---|---|---|---|
| Balance at 1 July 2017 | - | 88,895 | - | - | 88,895 |
| Exchange differences | - | 985 | - | - | 985 |
| Amortisation expense | - | (73,838) | - | - | (73,838) |
| | | | | | |
| Balance at 30 June 2018 | - | 16,042 | - | - | 16,042 |
| Additions through business combinations (note 27) | 286,666 | - | 730,000 | 250,000 | 1,266,666 |
| Exchange differences | - | (1,398) | - | - | (1,398) |
| Amortisation expense | - | (14,644) | - | (8,333) | (22,977) |
| | | | | | |
| Balance at 30 June 2019 | 286,666 | - | 730,000 | 241,667 | 1,258,333 |

Goodwill and trademarks acquired through business combinations have been allocated to Design-milk cash-generating unit ('CGU').

As detailed in note 27, the consolidated entity recently acquired Design-milk business. The consolidated entity has assumed the recoverable amount using fair value less cost of disposal ('FVLCD'). Since acquisition, the Design-milk business has met their short-term targets and there have been no indicators to suggest fair value has decreased.

## Note 14. Current liabilities - trade and other payables

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Trade payables | 229,039 | 427,108 |
| Accrued expenses | 222,766 | 178,072 |
| Deferred consideration on acquisition of business | 500,000 | - |
| | 951,805 | 605,180 |

Refer to note 18 for further information on financial instruments.

## Note 15. Equity - contributed equity

| | Consolidated 2019 Shares | 2018 Shares | 2019 US$ | 2018 US$ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 848,198,213 | 677,360,673 | 53,296,618 | 52,499,915 |

*Movements in ordinary share capital*

| Details | Date | Shares | US$ |
|---|---|---|---|
| Balance | 1 July 2017 | 166,140,044 | 48,917,471 |
| Shares issued on vesting of performance rights | 25 July 2017 | 32,625 | - |
| Shares issued on capital raising | 28 September 2017 | 40,773,748 | 416,520 |
| Shares issued on capital raising | 18 October 2017 | 336,768,942 | 3,435,851 |
| Shares issued on capital raising | 25 October 2017 | 124,446,768 | 1,248,948 |
| Shares issued on capital raising | 20 December 2017 | 12,724,026 | 126,673 |
| Shares issued on vesting of performance rights | 22 December 2017 | 106,350 | - |
| Shares issued on vesting of performance rights | 11 April 2018 | 368,170 | - |
| Cancellation of treasury shares | 11 April 2018 | (4,000,000) | (1,309,680) |
| Share issue transaction costs, net of tax | | - | (335,868) |
| Balance | 30 June 2018 | 677,360,673 | 52,499,915 |
| Reversal of share-based payment | 1 July 2018 | (1,000,000) | - |
| Shares issued on capital raising | 5 June 2019 | 123,706,845 | 606,164 |
| Shares issued on capital raising | 7 June 2019 | 18,844,983 | 91,945 |
| Shares issued under share purchase plan | 28 June 2019 | 29,285,712 | 143,766 |
| Share issue transaction costs, net of tax | | - | (45,172) |
| Balance | 30 June 2019 | 848,198,213 | 53,296,618 |

*Movements in Treasury shares*

| Details | Date | Shares | US$ |
|---|---|---|---|
| Balance | 1 July 2017 | (4,000,000) | (1,309,680) |
| Cancellation of treasury shares | 11 April 2018 | 4,000,000 | 1,309,680 |
| Balance | 30 June 2018 | - | - |
| Cancellation of treasury shares | 11 April 2018 | - | - |
| Balance | 30 June 2019 | - | - |

## Note 15. Equity - contributed equity (continued)

*Ordinary shares*
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

*Treasury shares*
The company has an equity scheme pursuant to which certain employees may access a loan funded share plan ('LFSP'). The acquisition of shares by an employee in the company is fully funded by the company through the granting of a full recourse loan. The LFSP shares are held in a trust until the vesting conditions are satisfied and the loan is repaid. Unvested shares held by the trust are controlled by the company and are recorded as treasury shares representing a deduction against issued capital. During the previous year the company completed a buyback of 4,000,000 treasury shares for US$1,309,680 and applied the proceeds against the loan.

*Share buy-back*
There was no buyback of shares during the current year.

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

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

## Note 16. Equity - reserves

| | Consolidated | |
|---|---|---|
| | 2019<br>US$ | 2018<br>US$ |
| Foreign currency reserve | (55,810) | (19,077) |
| Share-based payments reserve | 894,790 | 668,250 |
| Share acquisition reserve | 266,666 | - |
| | 1,105,646 | 649,173 |

*Foreign currency reserve*
The reserve is used to recognise exchange differences arising from the translation of the financial statements of Non-US functional currency operations to United States dollars.

*Share-based payments reserve*
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Share acquisition reserve*
The reserve is used to recognise equity benefits provided to the vendors on acquisition of subsidiaries. This includes fair value of shares and options which is expected to be converted into issued capital in the future.

## Note 16. Equity - reserves (continued)

*Movements in reserves*
Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated | Foreign currency reserve US$ | Share-based payments reserve US$ | Share acquisition reserve US$ | Total US$ |
|---|---|---|---|---|
| Balance at 1 July 2017 | (8,864) | 659,275 | - | 650,411 |
| Foreign currency translation | (10,213) | - | - | (10,213) |
| Share-based payments | - | 8,975 | - | 8,975 |
| Balance at 30 June 2018 | (19,077) | 668,250 | - | 649,173 |
| Foreign currency translation | (36,733) | - | - | (36,733) |
| Share-based payments | - | 226,540 | - | 226,540 |
| Shares to be issued on acquisition of subsidiaries (note 27) | - | - | 266,666 | 266,666 |
| Balance at 30 June 2019 | (55,810) | 894,790 | 266,666 | 1,105,646 |

## Note 17. Equity - dividends

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

## Note 18. Financial instruments

***Financial risk management objectives***
The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

***Market risk***

*Foreign currency risk*
Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The consolidated entity is not exposed to any significant foreign currency risk.

*Price risk*
The consolidated entity is not exposed to any significant price risk.

*Interest rate risk*
The consolidated entity is not exposed to any significant interest rate risk.

***Credit risk***
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

## Note 18. Financial instruments (continued)

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

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

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

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

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2019 | 1 year or less US$ | Between 1 and 2 years US$ | Between 2 and 5 years US$ | Over 5 years US$ | Remaining contractual maturities US$ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade payables | 229,039 | - | - | - | 229,039 |
| Deferred consideration | 500,000 | - | - | - | 500,000 |
| Security deposit payable | - | 57,000 | - | - | 57,000 |
| Total non-derivatives | 729,039 | 57,000 | - | - | 786,039 |

| Consolidated - 2018 | 1 year or less US$ | Between 1 and 2 years US$ | Between 2 and 5 years US$ | Over 5 years US$ | Remaining contractual maturities US$ |
|---|---|---|---|---|---|
| **Non-derivatives** | | | | | |
| *Non-interest bearing* | | | | | |
| Trade payables | 427,108 | - | - | - | 427,108 |
| Security deposit payable | - | - | 57,000 | - | 57,000 |
| Total non-derivatives | 427,108 | - | 57,000 | - | 484,108 |

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

## Note 19. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company:

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| *Audit services - Ernst & Young* | | |
| Audit or review of the financial statements | 136,200 | 107,250 |

## Note 21. Commitments - operating lease receivable

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Committed at the reporting date, receivable: | | |
| Within one year | 362,828 | 352,260 |
| One to five years | 90,707 | 456,256 |
| | 453,535 | 808,516 |

Future minimum lease receivable relates to sublease payments expected for office premises under non-cancellable operating leases to 30 September 2020.

## Note 22. Contingent assets and liabilities

There were no contingent assets or contingent liabilities which would have a material effect on the consolidated entity's financial statements as at 30 June 2019 (2018: US$ nil).

## Note 23. Commitments

| | Consolidated | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | 334,801 | 292,308 |
| One to five years | 81,991 | 356,740 |
| | 416,792 | 649,048 |

Operating lease commitments includes contracted amounts for commercial property leases under non-cancellable operating leases expiring within two years with an option to extend. The leases rent payable escalates by 5% per annum every year from 1 October. On renewal, the terms of the leases are renegotiated.

## Note 24. Key management personnel disclosures

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| Short-term employee benefits | 142,573 | 484,419 |
| Post-employment benefits | 7,588 | 27,504 |
| Termination benefits | - | 55,000 |
| Share-based payments | 170,389 | 3,234 |
| | 320,550 | 570,157 |

## Note 25. Related party transactions

*Parent entity*
AHAlife Holdings Limited is the parent entity.

*Subsidiaries*
Interests in subsidiaries are set out in note 28.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

*Transactions with related parties*
The following transactions occurred with related parties:

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| Payment for goods and services: | | |
| Purchase of goods from Kaufmann Mercantile a key management personnel related entity of Sebastian Kaufmann | - | 104,770 |
| Payment for consultancy services to Bombora Group Pty Limited a director related entity of Mike Hill | 4,724 | 12,385 |
| Other transactions: | | |
| Reimbursement of expenses from Bombora Group Pty Limited | 14,385 | - |
| Reimbursement of expenses to Bombora Group Pty Limited | - | 1,955 |

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | Consolidated | |
|---|---|---|
| | 2019 | 2018 |
| | US$ | US$ |
| Current receivables: | | |
| Receivables from Bombora Group Pty Limited | - | 9,455 |

*Loans to/from related parties*
There were no loans to or from related parties at the current and previous reporting date.

## Note 25. Related party transactions (continued)

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

## Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Loss after income tax | (3,556,328) | (653,307) |
| Total comprehensive income | (3,556,328) | (653,307) |

*Statement of financial position*

| | Parent | |
|---|---|---|
| | 2019 US$ | 2018 US$ |
| Total current assets | 476,053 | 396,909 |
| Total assets | 4,210,006 | 8,080,809 |
| Total current liabilities | 46,116 | 21,113 |
| Total liabilities | 46,116 | 21,113 |
| Equity | | |
| Contributed equity | 24,437,238 | 23,640,535 |
| Other reserves | 122,079 | 1,258,260 |
| Accumulated losses | (20,395,427) | (16,839,099) |
| Total equity | 4,163,890 | 8,059,696 |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

*Contingent liabilities*
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

*Significant accounting policies*
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

## Note 27. Business combinations

*Design Milk Holdings, LLC*
On 28 February 2019, the consolidated entity acquired the assets of Design Milk Holdings, LLC ('Design-milk') for the total consideration transferred of $1,266,666. Design-milk is a globally recognised design and lifestyle-focused website sharing the latest news in art, architecture, interior design, furniture, fashion and technology to a highly engaged audience. The goodwill of $286,666 represents profitability of the acquired business and the synergistic opportunities it offers and intangible assets that do not qualify for separate recognition.

The acquired business contributed revenues of US$232,263 and profit after tax of US$7,067 to the consolidated entity for the period from 28 February 2019 to 30 June 2019. The values identified in relation to the acquisition are provisional as at 30 June 2019.

Details of the acquisition are as follows:

| | Fair value US$ |
|---|---|
| Trade name and trademarks | 730,000 |
| Customer relationships | 250,000 |
| | |
| Net assets acquired | 980,000 |
| Goodwill | 286,666 |
| | |
| Acquisition-date fair value of the total consideration transferred | 1,266,666 |
| | |
| Representing: | |
| Cash paid or payable to vendor | 500,000 |
| Deferred consideration | 500,000 |
| Share option issued on acquisition (note 16) | 266,666 |
| | |
| | 1,266,666 |
| | |
| Acquisition costs expensed to profit or loss | 18,000 |

## Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| | | Ownership interest | |
|---|---|---|---|
| Name | Principal place of business / Country of incorporation | 2019 % | 2018 % |
| AHA Life Holdings Inc. | United States of America | 100% | 100% |
| AMS Commerce LLC | United States of America | 100% | 100% |
| AHA Life LLC | United States of America | 100% | 100% |
| Mediamerx, Inc. | United States of America | 100% | 100% |
| Design Milk Holdings, LLC | United States of America | 100% | - |

## Note 29. Reconciliation of loss after income tax to net cash used in operating activities

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Loss after income tax expense for the year | (2,643,241) | (2,691,460) |
| | | |
| Adjustments for: | | |
| Depreciation and amortisation | 144,179 | 191,613 |
| Share-based payments | 226,540 | 8,975 |
| | | |
| Change in operating assets and liabilities: | | |
| Decrease/(increase) in trade and other receivables | (168,629) | 30,574 |
| Decrease in inventories | 20,028 | 10,637 |
| Increase in prepayments | (25,303) | (42,144) |
| Decrease/(increase) in other operating assets | (25,440) | 12,523 |
| Decrease in trade and other payables | (156,626) | (154,463) |
| Decrease in contract liabilities and deferred revenue | (105,413) | - |
| Decrease in other operating liabilities | - | (11,646) |
| | | |
| Net cash used in operating activities | (2,733,905) | (2,645,391) |

## Note 30. Earnings per share

| | Consolidated 2019 US$ | Consolidated 2018 US$ |
|---|---|---|
| Loss after income tax attributable to the owners of AHAlife Holdings Limited | (2,643,241) | (2,691,460) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 686,652,495 | 520,963,731 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 686,652,495 | 520,963,731 |
| | **Cents** | **Cents** |
| Basic earnings per share | (0.38) | (0.52) |
| Diluted earnings per share | (0.38) | (0.52) |

## Note 31. Share-based payments

The consolidated entity has a long term incentive plan ('LTIP') which provides eligible employees with an additional incentive to work to improve the performance of the consolidated entity by granting options or rights to acquire shares.

During the financial year 19,127,744 (2018: 21,970,902) options and performance rights valued at $853,334 (2018: nil) were granted.

The share-based payments expense for the year was US$226,540 (2018: US$8,975).

Set out below are summaries of options granted under the plan:

**Note 31. Share-based payments (continued)**

2019

| Grant date | Exercise price | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 16/07/2014 | A$0.200 | 16/07/2019 | 637,500 | - | - | - | 637,500 |
| 27/07/2015 | US$0.085 | 05/10/2021 | 477,422 | - | - | - | 477,422 |
| 27/07/2015 | US$0.085 | 26/10/2021 | 163,285 | - | - | - | 163,285 |
| 27/07/2015 | US$0.091 | 08/11/2022 | 179,212 | - | - | - | 179,212 |
| 27/07/2015 | US$0.098 | 22/03/2023 | 326,564 | - | - | - | 326,564 |
| 27/07/2015 | US$0.098 | 31/07/2023 | 63,720 | - | - | - | 63,720 |
| 27/07/2015 | US$0.095 | 19/08/2024 | 326,570 | - | - | - | 326,570 |
| 27/07/2015 | US$0.400 | 27/07/2025 | 15,906 | - | - | - | 15,906 |
| 23/03/2018 | A$0.018 | 23/03/2028 | 20,491,709 | - | - | (20,491,709) | - |
| 30/07/2018 | A$0.014 | 30/07/2028 | - | 16,908,954 | - | - | 16,908,954 |
| 19/02/2018 | A$0.014 | 19/02/2028 | 1,479,193 | - | - | - | 1,479,193 |
| 24/10/2018 | A$0.014 | 24/10/2028 | - | 2,218,790 | - | - | 2,218,790 |
| | | | 24,161,081 | 19,127,744 | - | (20,491,709) | 22,797,116 |

2018

| Grant date | Exercise price | Expiry date | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| 30/11/2011 | A$40.000 | 22/02/2018 | 1,313 | - | - | (1,313) | - |
| 16/07/2014 | A$0.200 | 16/07/2017 | 575,000 | - | - | (575,000) | - |
| 16/07/2014 | A$0.200 | 16/07/2019 | 637,500 | - | - | - | 637,500 |
| 27/07/2015 | US$0.091 | 08/11/2022 | 1,858,332 | - | - | (1,858,332) | - |
| 27/07/2015 | US$0.094 | 18/08/2024 | 1,109,885 | - | - | (1,109,885) | - |
| 27/07/2015 | US$0.085 | 05/10/2021 | 477,422 | - | - | - | 477,422 |
| 27/07/2015 | US$0.085 | 26/10/2021 | 163,285 | - | - | - | 163,285 |
| 27/07/2015 | US$0.207 | 01/06/2022 | 42,692 | - | - | (42,692) | - |
| 27/07/2015 | US$0.091 | 08/11/2022 | 179,212 | - | - | - | 179,212 |
| 27/07/2015 | US$0.098 | 22/03/2023 | 326,564 | - | - | - | 326,564 |
| 27/07/2015 | US$0.098 | 31/07/2023 | 63,720 | - | - | - | 63,720 |
| 27/07/2015 | US$0.095 | 19/08/2024 | 326,570 | - | - | - | 326,570 |
| 27/07/2015 | US$0.400 | 27/07/2025 | 15,906 | - | - | - | 15,906 |
| 23/03/2018 | A$0.018 | 23/03/2028 | - | 20,491,709 | - | - | 20,491,709 |
| 19/02/2018 | A$0.014 | 19/02/2028 | - | 1,479,193 | - | - | 1,479,193 |
| | | | 5,777,401 | 21,970,902 | - | (3,587,222) | 24,161,081 |

637,500 Options outstanding as at 30 June 2019 is vested and exercisable (2018: 637,500).

The weighted average share price during the financial year was US$0.007 A$0.010 (2018: US$0.020 A$0.026).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 8.44 years (2018: 9.21 years).

## Note 31. Share-based payments (continued)

*Performance rights*

*2019*
Performance rights with a valued of $853,334 will be issued on the achievement of business performance targets. The number of shares to be issued will be based on AHAlife Holdings Limited share price on vesting dates.

Set out below are summaries of performance rights granted during 2018:

| 2018<br>Grant date* | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|---|---|---|---|---|---|
| 23/03/2016 | 1,635,000 | - | - | (1,635,000) | - |
| 11/08/2016 | 359,886 | - | (119,962) | (239,924) | - |
| 12/08/2016 | 200,000 | - | (45,000) | (155,000) | - |
| 05/10/2016 | 50,000 | - | (11,250) | (38,750) | - |
| 10/11/2016 | 51,625 | - | (14,875) | (36,750) | - |
| 14/11/2016 | 56,875 | - | (14,000) | (42,875) | - |
| 01/03/2017 | 2,416,462 | - | (302,058) | (2,114,404) | - |
| 01/03/2017 | 9,665,846 | - | - | (9,665,846) | - |
| | 14,435,694 | - | (507,145) | (13,928,549) | - |

* The performance rights have no expiry date or exercise price.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|---|---|---|---|---|---|---|---|
| 30/07/2018 | 30/07/2028 | A$0.022 | A$0.014 | 81.00% | - | 2.00% | A$0.014 |
| 24/10/2018 | 24/10/2028 | A$0.014 | A$0.018 | 83.00% | - | 2.00% | A$0.010 |

## Note 32. Events after the reporting period

In July 2019, AHAlife Holdings Limited completed capital raising of US$797,222 (before costs) by issuing 161,301,742 ordinary shares.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**AHAlife Holdings Limited**
**Directors' declaration**
**30 June 2019**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

___________________________
Mike Hill
Chairman

30 September 2019

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# Independent Auditor's Report to the Members of AHAlife Holdings Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of AHAlife Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Going Concern

| Why significant | How our audit addressed the Key Audit Matter |
|---|---|
| As disclosed in the financial report the Directors concluded that in their opinion despite the business being loss making there are reasonable grounds to believe that the Group has the ability to pay its debts as and when they fall due. The financial report has been prepared on a going concern basis.<br><br>The going concern assumption is fundamental to the basis of preparation of the financial report. As the Group has not generated a profit since it started operations and given the judgment involved in the preparation of cash flow forecasts to support the Directors' conclusion, we considered this matter to be a key audit matter. | Our audit procedures included the following:<br>▶ Evaluated the assumptions made in the budget and the cash flow forecasts approved by the Board.<br>▶ Considered the historical accuracy of the Group's cash flow forecasting by reference to actual results in prior periods compared to Board approved budgets.<br>▶ Considered the impact of a range of sensitivities to the cash flow model, focusing on whether any reasonably possible change would impact upon the Directors' conclusions;<br>▶ Assessed the consistency of the assumptions included in the going concern cash flow model with statements related to future plans and commitments contained in the other information set out in the annual report.<br>▶ Considered the disclosures in the financial report related to the going concern assumption. |

## 2. Revenue Recognition

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Given the volume of online retail transactions processed on a daily basis and arrangements in place with suppliers, whereby suppliers dispatch goods directly to the Group's customers, the timing of when revenue is recognised was considered to be a key audit matter. | Our audit procedures included the following:<br>► Assessed whether the revenue recognition policy applied to the terms and conditions of sale is in accordance with Australian Accounting Standard AASB 15 Revenue from Contracts with Customers.<br>► Selected a sample of revenue transactions to determine whether the revenue was recorded in the appropriate period. This included testing whether sale transactions were recognised as deferred revenue at balance date where applicable.<br>► Utilised data analytic tools to correlate sale of goods revenue recognised with the receipt of cash;<br>► Considered the impact of customer returns and credit notes issued subsequent to 30 June 2019, where these related to sales recognised in the 2019 financial year.<br>► Considered the adequacy of the revenue related policy disclosures contained in Note 5. |

## 3. Business Combination

| Why significant | How our audit addressed the key audit matter |
|---|---|
| On 27 February 2019, the Group completed the acquisition of the Design Milk business as disclosed in Note 27 of the financial report.<br><br>The provisional values recognised for the business combination are included in Note 27 of the financial report, the acquisition was material to the group.<br><br>The results of Design Milk were consolidated into the group results from 28 February 2019 to 30 June 2019.<br><br>The accounting for the business combination was considered a key audit matter due to the significance and impact on the Group's assets and liabilities. | Our audit procedures included the following:<br>► Assessed the accounting acquisition date with reference to achievement of control over the acquired business.<br>► Evaluated the Group's determination of the purchase consideration paid with reference to contracts and consideration paid.<br>► Considered the adequacy of the provisional business combination related disclosures contained in Note 27. |

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 the directors.

- Conclude on the appropriateness of the directors' 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 report 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 report, including the disclosures, and whether the financial report represents 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 financial report. 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Report on the Audit of the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of AHAlife Holdings Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

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

Ernst & Young

Ernst & Young

Julian M. O'Brien
Partner
Sydney
30 September 2019

| | |
|---|---|
| Directors | Mike Hill - Non-Executive Chairman<br>Michael Everett - Non-Executive Director<br>Christopher Colfer - Non-Executive Director<br>Arnaud Massenet - Non-Executive Director |
| Key Management Personnel | Robert Mancini - Chief Executive Officer |
| Company secretary | Andrew Whitten |
| Registered office | Level 5, 126 Phillip Street<br>Sydney, NSW 2000<br>Australia<br>Tel: 1300 266 517 or +61 2 8072 1400 |
| Principal place of business | Suite 205<br>939 N High Street<br>Columbus, OH 43201<br>United States of America |
| Share register | Automic Registry Services<br>Level 5, 126 Phillip Street,<br>Sydney, NSW 2000<br>Tel: 02 9698 5414<br>Email: hello@automic.com.au |
| Auditor | Ernst & Young<br>200 George Street<br>Sydney, NSW 2000 |
| Stock exchange listing | AHAlife Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: AHL) |
| Website | www.ahalife.com<br>www.kaufmann-mercantile.com<br>www.design-milk.com |
| Corporate Governance Statement | The Corporate governance statement which is approved at the same time as the Annual Report can be found at www.ahalifeholdings.com.au/corporate-governance-and-corporate-directory/ |

**AHAlife Holdings Limited**
**Shareholder information**
**30 June 2019**

The shareholder information set out below was applicable as at 21 August 2019.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Number of holders of ordinary shares | Number of holders of options over ordinary shares |
|---|---|---|
| 1 to 1,000 | 110 | - |
| 1,001 to 5,000 | 12 | - |
| 5,001 to 10,000 | 8 | - |
| 10,001 to 100,000 | 150 | 3 |
| 100,001 and over | 276 | 8 |
| | 556 | 11 |
| Holding less than a marketable parcel | - | - |

**Equity security holders**

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| NATIONAL NOMINEES LIMITED | 60,570,319 | 6.00 |
| BOATLIFE HOLDINGS PTY LTD (COLFER FAMILY A/C) | 57,142,857 | 5.66 |
| PINNACLE TRUSTEES LIMITED (THE MASSENET A/C) | 50,000,000 | 4.95 |
| RICHARD REED | 36,811,614 | 3.65 |
| ONMELL PTY LTD (ONM BPSF A/C) | 30,290,950 | 3.00 |
| ARNAUD MASSENET | 28,846,153 | 2.86 |
| EARLY FORCE PTY LTD | 26,330,402 | 2.61 |
| EARLY FORCE PTY LTD | 25,126,644 | 2.49 |
| GE EQUITY INVESTMENTS PTY LTD | 23,150,000 | 2.29 |
| MARK MOORE & INNA MOORE (THE M C MOORE 2010 INV A/C) | 23,076,923 | 2.29 |
| CITICORP NOMINEES PTY LIMITED | 19,673,628 | 1.95 |
| TIMSTER PTY LIMITED (THE MCROD SUPER FUND A/C) | 19,642,857 | 1.95 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 18,132,715 | 1.80 |
| EARLY FORCE PTY LTD | 17,730,498 | 1.76 |
| REUNION INVESTMENTS PTY LTD (REUNION INVESTMENT A/C) | 16,521,758 | 1.64 |
| BERNARD LAVERTY PTY LTD | 16,321,384 | 1.62 |
| MYALL RESOURCES PTY LTD (MYALL GROUP SUPER FUND A/C) | 15,714,284 | 1.56 |
| BOND STREET CUSTODIANS LIMITED (FAULKN - V21567 A/C) | 15,297,203 | 1.52 |
| RASK PTY LTD (GRANGER SUPER FUND A/C) | 13,633,332 | 1.35 |
| CS FOURTH NOMINEES PTY LIMITED (HSBC CUST NOM AU LTD 11 A/C) | 13,000,000 | 1.29 |
| | 527,013,521 | 52.24 |

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options over ordinary shares issued | 1,552,679 | 11 |

**Substantial holders**
Substantial holders in the company are set out below:

| | Ordinary shares | |
|---|---|---|
| | Number held | % of total shares issued |
| Arnaud Massenet | 78,846,153 | 7.81 |
| Early Force Pty Ltd | 69,267,856 | 6.86 |
| BOMBORA INVESTMENT MANAGEMENT P/L (BOMBORA SPECIAL INVESTMENTS GROWTH FUND) | 60,570,319 | 6.00 |
| BOATLIFE HOLDINGS PTY LTD (COLFER FAMILY A/C) | 57,142,857 | 5.66 |

**Voting rights**
The voting rights attached to ordinary shares are set out below:

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

There are no other classes of equity securities.