



VPCL Limited

ABN 65 149 197 651

**Interim Financial Report (un-audited)
For the half-year ended 31 December 2020**

VPCL Limited
Corporate directory
31 December 2020

Directors	Leanne Graham David Wheeler Christopher Mews
Company secretary	Christopher Mews
Registered office	Unit 36/38 Manchester Lane Melbourne VIC 3000
Principal place of business	Unit 36/38 Manchester Lane Melbourne VIC 3000
Share register	Link Market Services Central Park Level 4 152 St Georges Terrace Perth WA 6000 Telephone: 08 6160 4455
Auditor	BDO Audit Pty Ltd Collins Square Tower Four Level 18, 727 Collins Street Melbourne Victoria 3008
Bankers	Westpac Banking Corporation 116 James Street Perth WA 6000
Stock exchange listing	Securities of VPCL Limited are listed on the Australian Securities Exchange. ASX Code: VPC
Website:	www.vpcllimited.com.au/

VPCL Limited
Directors' report
31 December 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of VPCL Limited, (referred to hereafter as the 'company' or 'parent entity' or 'VPCL') and the entities it controlled at the end of, or during, the half year ended 31 December 2020.

Directors

The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Leanne Graham
David Wheeler
Christopher Mews

Review of operations

The half year loss for the consolidated entity after providing for income tax amounted to \$330,279 (31 December 2019: \$410,453 loss).

The Board considered a number of potential transactions to enable the Company to re-comply with the Listing Rules and recommence trading on the ASX.

On 24th November 2020 VPCL announced that it had entered into a binding Heads of Agreement to acquire all of the securities in UK-registered Health House Holding Ltd (HHH) an international medicinal cannabis distribution business. HHH was founded in 2018 by pioneers in the Australian medicinal cannabis sector with a proven track record of establishing a number of successful companies in the sector, including AusCann Group, Zelira Therapeutics and CannPal Animal Therapeutics. HHH has distribution agreements in place with leading GMP certified medicinal cannabis manufacturers and suppliers including, Aurora/Cannimed, Little Green Pharma, MGC Pharmaceuticals, Ananda Hemp, Satipharm, Zelira Therapeutics, IX Biopharma and HAPA. HHH generated group revenues of approximately AUD\$5.95 million in FY20 through its leading international exporting, importing and distribution network of medicinal cannabis and pharmaceutical products across Australia and the UK. Medicinal cannabis has only been legal in Australia since 30 October 2016 and November 2018 in the UK with both markets expected to grow substantially.

Pro9 Global Ltd

In August 2020, VPCL reached a Deed of Settlement with Pro9 Global Ltd in relation to the loan funds (including accrued interest) of AUD \$693,563 owed by Pro9 Global Ltd to VPCL. Under the terms of the deed, VPCL accepted settlement of AUD\$200,000 in cash plus 2.5 million shares in Pro9 Global Ltd. The Board has determined the fair value of the shares issued to be AUD\$125,000. In September 2020, the equity component comprising of 2.5 million shares in Pro9 Global Ltd and AUD\$200,000 as the cash component of the settlement of the loan repayment was received from Pro9 Global Ltd.

Lumi Financial Holdings Ltd

The Board reviewed its position in Lumi and the operations and market outlook for unlisted illiquid investments of this type. In the Board's opinion after discussion with Lumi, the sector Lumi is operating in has been adversely affected by the downturn in the economy. It was clear to the Board that retaining the investment to seek a greater return was too risky. VPCL agreed to sell its' investment in this company. VPCL fully recovered the initial capital invested. Proceeds of this sale, \$500,000, were received in July 2020.

NowForce

In October 2018, the company sold its investment in NowForce for approximately USD \$1.05m. Sale proceeds of USD \$895m (AUD \$1.2m) were received in December 2018, with a further 15% held in escrow for 18 months. The escrow period expired in May 2020 and VPCL received the final payment of USD\$164,379 (AUD\$233,293) in June. The additional performance metrics required to receive the additional earnout amount will not be met so no further performance based amounts will be received in relation to the sale of NowForce. However, VPCL can expect to receive approximately USD\$27,000 returned in relation to funds set aside for professional fees anticipated to administer any earnout amount.

VPCL Limited
Directors' report
31 December 2020

Events after the balance date

The following events occurred after balance date:

Annual General Meeting (AGM)

VPCL held its AGM on 29 January 2021. This meeting approved the election of David Wheeler and the re-election of Leanne Graham. Importantly this meeting also considered the following resolutions:

- consolidation of shares
- approval to issue consideration shares to HH vendors
- approval of issue of consideration shares to David Wheeler
- approval to issue shares under the public offer
- approval to issue broker shares
- change of the Company name to Health House International Limited

Capital raise after reporting date

The prospectus, issued on 21st January 2021, sought to raise a minimum of AUD\$2.5 million to a maximum of AUD\$3.5million (17.5 million shares at an issue price of \$0.20). On 8 February 2021 VPCL advised that due to significant demand the capital raise would be closed early. The acquisition of Health House International is well progressed and the company is working with the ASX to finalise the relisting of VPC.

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



Leanne Graham
Director

28th February 2021
Melbourne

VPCL Limited
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31 December 2020

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General information

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

VPCL 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

Unit 36, 38 Manchester Lane
Melbourne VIC 3000

Principal place of business

Unit 36, 38 Manchester Lane
Melbourne VIC 3000

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 28th February 2021. The directors have the power to amend and reissue the financial statements.

VPCL Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

		Consolidated	
		31 Dec	31 Dec
		2020	2019
	Note	\$	\$
Revenue from continuing operations			
Revenue and other income	3	1,631	22,393
Foreign Exchange Gain		-	225
Expenses			
Bad debts expense		-	14,393
Compliance cost		(17,602)	(31,647)
Directors' fees		(78,000)	(148,000)
Employee expense		-	13,778
Finance charges from early settlement of Damstra receivable		-	(92,313)
Interest Expense		(11)	-
Professional & consulting fees		(219,255)	(126,586)
Rent & utilities		(437)	(43,164)
Other expenses		(16,605)	(19,532)
Profit / (Loss) before income tax expense from continuing operations		<u>(330,279)</u>	<u>(410,453)</u>
Income tax benefit / (expense)		-	-
Profit / (Loss) after income tax expense for the half year		<u>(330,279)</u>	<u>(410,453)</u>
Other comprehensive income		-	-
Total comprehensive income for the half year		<u>(330,279)</u>	<u>(410,453)</u>
Profit / (Loss) for the period is attributable to members of VPCL Limited		<u>(330,279)</u>	<u>(410,453)</u>
Total comprehensive income for the half year is attributable to members of VPCL Limited		<u>(330,279)</u>	<u>(410,453)</u>
Basic profit/(loss) per share (cents per share) from continuing operations attributable to members of VPCL Limited		(0.03)	(0.04)
Basic & diluted profit/(loss) per share (cents per share) for profit attributable to members of VPCL Limited		<u>(0.03)</u>	<u>(0.04)</u>

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

VPCL Limited
Statement of financial position
As at 31 December 2020

		Consolidated	
		31 Dec	30 Jun
		2020	2020
	Note	\$	\$
Current assets			
Cash and cash equivalents		3,785,727	3,343,249
Receivables	4	18,127	342,912
Other current assets		15,934	28,211
Investments held for sale	5	-	500,000
Total Current Assets		<u>3,819,788</u>	<u>4,214,372</u>
Non-current assets			
Investments	5	125,000	-
Total Non-Current Assets		<u>125,000</u>	<u>-</u>
Total Assets		<u>3,944,788</u>	<u>4,214,372</u>
Liabilities			
Current liabilities			
Trade and other payables		101,801	41,106
Total Current Liabilities		<u>101,801</u>	<u>41,106</u>
Total Liabilities		<u>101,801</u>	<u>41,106</u>
Net Assets		<u>3,842,987</u>	<u>4,173,266</u>
Equity			
Issued capital		33,216,771	33,216,771
Reserves		2,320,472	2,320,472
Accumulated losses		(31,694,256)	(31,363,977)
Total equity		<u>3,842,987</u>	<u>4,173,266</u>

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

VPCL Limited
Statement of changes in equity
For the half-year ended 31 December 2020

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2020	33,216,771	2,320,472	(31,363,977)	4,173,266
Loss for the period	-	-	(330,279)	(330,279)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(330,279)	(330,279)
Balance at 31 December 2020	33,216,771	2,320,472	(31,694,256)	3,842,987

Consolidated	Issued capital \$	Share Based Payment Reserve \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2019	33,216,771	2,320,472	(29,951,135)	5,586,108
Loss for the period	-	-	(410,453)	(410,453)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(410,453)	(410,453)
Balance at 31 December 2019	33,216,771	2,320,472	(30,361,588)	5,175,655

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

VPCL Limited
Statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	
	31 Dec	31 Dec
	2020	2019
Note	\$	\$
Cash flows from operating activities		
Receipts from customers inclusive of GST	848	-
Payments to suppliers and employees	(268,233)	(341,941)
Interest received - Net	772	973
Refund of erroneous customer payments	-	(49,656)
Net cash used in operating activities	(266,613)	(390,624)
Cash flows from investing activities		
Proceeds from sale of investments	500,000	2,050,000
Proceeds / (Payments) for other financial assets	209,091	(510,000)
Net cash received in investing activities	709,091	1,540,000
Net increase in cash and cash equivalents	442,478	1,149,376
Cash and cash equivalents at the beginning of the financial period	3,343,249	2,204,998
Cash and cash equivalents at the end of the financial period	3,785,727	3,354,374

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

Note 1. Significant accounting policies

a. Statement of Compliance

This general purpose financial report for the half year ended 31 December 2020 has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including AASB 134 *Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Boards ("AASB"). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting*.

The condensed half year financial report does not include full disclosure of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

b. Basis of preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

c. Going Concern

For the period ended 31 December 2020 the consolidated entity recorded net cash inflows of \$442,478 and a net loss of \$330,279. As at 31 December 2020 the entity had a cash balance of \$3,785,727 and net assets of \$3,842,987.

The disposal of the consolidated entity's Software-as-a-Service business and Brand Technology Agency in the prior reporting periods has resulted in its not have a substantive project. This indicates a material uncertainty that may cast doubt on the entity's ability to continue as a going concern.

On 24 November 2020 VPCL Ltd announced that it had entered into a binding Heads of Agreement to acquire all of the securities of Health House Holdings Ltd, a medicinal cannabis distribution business.

There were a number of conditions precedent in order to enable this transaction to succeed. A prospectus seeking to raise a minimum of \$2.5m and up to a maximum of \$3.5 with an issue price of \$0.2 was issued on 21 January 2021. This offer was over-subscribed and closed on 8 February 2021.

The acquisition agreement was such that VPCL Ltd would issue 110,332,814 shares to the shareholders of Health House which would result in Health House shareholders being a majority shareholder of the newly combined entity. The transaction constitutes a reverse acquisition such that the financial statements post-acquisition will represent a continuation of the results of the operating entity, being Health House. No goodwill is recognised, rather a listing expense will be recognised for the excess of the deemed acquisition cost over the fair value of the net assets of the listed shell entity, being VPCL.

The transaction was recently approved at the AGM on 29 January 2021 and readmission of VPCL Ltd to the ASX and the Health House transaction is progressing.

The financial statements have been prepared on the basis that the consolidated entity is a going concern which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business as the Directors are confident that the entity will be readmitted to the ASX and that the proposed transaction with Health House will settle.

Should the consolidated entity not be able to continue as a going concern it may be required to realise its assets and settle its liabilities other than in the normal course of business and at amounts that differ from amounts stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Note 1. Significant accounting policies (continued)

d. Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2020.

e. Consolidated financial statements

The half year financial report presents the consolidated financial statements. As previously announced, VPCL Limited de-registered its 100% controlled subsidiaries, VPCA Pty Ltd and Dash Digital Pty Ltd, during the period and at 31 December 2020, the financial position only represents that of the Parent Entity, VPCL Limited.

f. Rounding of Amounts

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

Note 2. 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, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Impairment

Investments are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell. Management judgement is required to determine whether an impairment loss should be recognized.

Fair value measurement hierarchy

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

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

VPCL Limited
Notes to the financial statements
31 December 2019

Note 3. Revenue and other income

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Interest Income	783	22,393
Other Income	848	-
Total Revenue and other income	<u>1,631</u>	<u>22,393</u>

Note 4. Receivables

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Current:		
Loan – Pro 9 Global Ltd	-	693,563
Impairment of Pro 9 Global Ltd Loan	-	(359,471)
GST	18,127	8,820
Total Receivables	<u>18,127</u>	<u>342,912</u>

Note 5. Investments

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
<i>Financial assets at fair value through statement of profit and loss</i>		
Current:		
Lumi Financial Holdings Ltd	-	500,000
Non-Current:		
Shares in Pro 9 Global Ltd	125,000	-
Total Investments	<u>125,000</u>	<u>500,000</u>

Note 6. Contingent Assets

The NowForce share sale agreement, provided that VPCL receive deferred payments subject to the achievement of certain metrics by NowForce, of up to US\$600,000 around March 2021. The additional performance metrics required to receive the additional earnout amount will not be met so no further performance-based amounts will be received in relation to the sale of NowForce. However, VPCL can expect to receive approximately USD\$27,000 to be returned in relation to funds set aside for professional fees anticipated to administer any earnout amount.

Because the quantum of the anticipated refund is not certain, no asset has been recognized in these financial statements.

Note 7. Events after the reporting period

The following events occurred after balance date:

Annual General Meeting (AGM)

VPCL held its AGM on 29 January 2021. This meeting approved the election of David Wheeler and the re-election of Leanne Graham. Importantly this meeting also considered the following resolutions:

- consolidation of shares
- approval to issue consideration shares to HH vendors
- approval of issue of consideration shares to David Wheeler
- approval to issue shares under the public offer
- approval to issue broker shares
- change of the Company name to Health House International Limited

Capital raise after reporting date

The prospectus, issued on 21st January 2021, sought to raise a minimum of AUD\$2.5 million to a maximum of AUD\$3.5million (17.5 million shares at an issue price of \$0.20). On 8 February 2021 VPCL advised that due to significant demand the capital raise would be closed early.

The acquisition of Health House International is well progressed and the company is working with the ASX to finalise the relisting of the entity.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Leanne Graham
Director

28th February 2021
Melbourne