

Health House International Limited (formerly VPCL Limited)

ABN 65 149 197 651

**Interim Financial Report
For the half-year ended 31 December 2020**

Health House International Limited (formerly VPCL Limited)

Corporate directory

31 December 2020

Directors	Leanne Graham (resigned 19 March 2021) David Wheeler Christopher Mews Hon Mike Rann (appointed 19 March 2021)
Company secretary	Tim Slate (appointed 19 March 2021) Christopher Mews (resigned 19 March 2021)
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 Health House International Limited (formerly VPCL Limited) are listed on the Australian Securities Exchange. ASX Code: HHI
Website:	https://healthhouse.com.au/

Health House International Limited (formerly 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 Health House International Limited (formerly VPCL Limited), (referred to hereafter as the 'company' or 'parent entity' or 'HHI') 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 (resigned 19 March 2021)
David Wheeler
Christopher Mews
Hon Mike Rann (appointed 19 March 2021)

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 HHI 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, HHI 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 HHI. Under the terms of the deed, the Company 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. HHI agreed to sell its' investment in this company. HHI 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 HHI 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, HHI can expect to receive approximately USD\$27,000 returned in relation to funds set aside for professional fees anticipated to administer any earnout amount.

Health House International Limited (formerly VPCL Limited)

Directors' report

31 December 2020

Events after the balance date

The following events occurred after balance date:

Annual General Meeting (AGM)

HHI 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 21 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 HHI advised that due to significant demand the capital raise would be closed early raising \$3.5 million by the issue of 17.5 million shares, the shares were issued on 19 March 2021.

Completion of Health House Holdings Limited

On 19 March 2021 HHI completed the acquisition of Health House Holdings Limited, issuing 115,298,743 shares in the Company to the Health House vendors as consideration for the acquisition and 3,458,961 shares to advisors. The Company changed its name to Health House International Limited following shareholder approval received at the Company's general meeting of shareholders held on 29 January 2021 and also changed its ASX code to HHI effective from 24 March 2021.

HHI received conditional approval from the Australian Securities Exchange (ASX) for the Company's ordinary shares to be reinstated to official quotation and is targeting re-admission in early April 2021.

Board Changes

On 19 March 2021 HHI announced that Non-Executive Director Mr David Wheeler was appointed as Executive Chairman and the Hon Michael Rann was appointed Non-Executive Director.

On 19 March 2021 Ms Leanne Graham stepped down as Non-Executive Director and Chair of the Company.

Auditor's independence declaration

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

Auditor

BDO Audit Pty Ltd 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



David Wheeler
Chairman


31 March 2021
Melbourne

DECLARATION OF INDEPENDENCE BY TIM FAIRCLOUGH TO THE DIRECTORS OF HEALTH HOUSE INTERNATIONAL LIMITED (FORMERLY VPCL LIMITED)

As lead auditor for the review of Health House International Limited (formerly "VPCL Limited") for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Health House International Limited and the entities it controlled during the period.



Tim Fairclough
Director

BDO Audit Pty Ltd

Melbourne, 31 March 2021

Health House International Limited (formerly VPCL Limited)

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General information

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

Health House International 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 31 March 2021. The directors have the power to amend and reissue the financial statements.

Health House International Limited (formerly 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		(330,279)	(410,453)
Income tax benefit / (expense)		-	-
Profit / (Loss) after income tax expense for the half year		(330,279)	(410,453)
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 the consolidated entity		<u>(330,279)</u>	<u>(410,453)</u>
Total comprehensive income for the half year is attributable to members of the consolidated entity		<u>(330,279)</u>	<u>(410,453)</u>
Basic profit/(loss) per share (cents per share) from continuing operations attributable to members of the consolidated entity		(0.03)	(0.04)
Basic & diluted profit/(loss) per share (cents per share) for profit attributable to members of the consolidated entity		<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

Health House International Limited (formerly 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

Health House International Limited (formerly 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

Health House International Limited (formerly VPCL Limited)
Statement of cash flows
For the half-year ended 31 December 2020

	Consolidated	
	31 Dec	31 Dec
Note	2020	2019
	\$	\$
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 from 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

Health House International Limited (formerly VPCL Limited)
Notes to the financial statements
31 December 2020

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.

Completion of Health House Holdings Limited Acquisition

On 19 March 2021 HHI completed the acquisition of Health House Holdings Limited, issuing 115,298,743 shares in the Company to the Health House vendors as consideration for the acquisition and 3,458,961 shares to advisors on the same date. In addition, the company issued 17,500,000 shares and raised \$3.5 million from a public offer. The Company changed its name to Health House International Limited following shareholder approval received at the Company's general meeting of shareholders held on 29 January 2021 and also changed its ASX code to HHI effective from 24 March 2021.

HHI received conditional approval from the Australian Securities Exchange (ASX) for the Company's ordinary shares to be reinstated to official quotation and is targeting re-admission in early April 2021.

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.

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, Health House International 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, Health House International 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.

Health House International Limited (formerly VPCL Limited)
Notes to the financial statements
31 December 2020

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.

Note 3. Revenue and other income

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

Note 4. Receivables

	Consolidated	
	31 Dec	30 Jun
	2020	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	18,127	342,912

Health House International Limited (formerly VPCL Limited)
Notes to the financial statements
31 December 2020

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	125,000	500,000

Note 6. Contingent Assets

The NowForce share sale agreement, provided that HHI 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, HHI 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)

HHI 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 and approved 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 HHI advised that due to significant demand the capital raise would be closed early raising \$3.5 million by the issue of 17.5 million shares at an issue price of \$0.20 on 19 March 2021.

HHI completed the acquisition of Health House Holdings Limited, issuing 115,298,743 shares in the Company to the Health House vendors as consideration for the acquisition and 3,458,961 shares to advisors.

As previously announced, the Company has received conditional approval from the Australian Securities Exchange (ASX) for the Company's ordinary shares to be reinstated to official quotation and is targeting re-admission in early April 2021.

Health House International Limited (formerly VPCL Limited)
Directors' declaration
31 December 2020

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

A handwritten signature in blue ink, appearing to read 'D. Wheeler', is written over a horizontal line.

David Wheeler
Director

31 March 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Health House International Limited (formerly VPCL Limited)

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Health House International Limited (formerly "VPCL Limited") (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink. The first line reads 'BDO' in a stylized, blocky font. The second line is a cursive signature that appears to read 'Tim Fairclough'.

Tim Fairclough
Director

Melbourne, 31 March 2021