
HEALTH HOUSE INTERNATIONAL LIMITED
(formerly VPCL Limited)
ABN 65 149 197 651

ANNUAL REPORT
For the Year Ended
30 June 2021

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All announcements and financial reports are available on our website: www.healthhouse.com.au.

CORPORATE DIRECTORY

NON-EXECUTIVE DIRECTORS

Christopher Mews
Hon Michael Rann

EXECUTIVE DIRECTORS

David Wheeler
Dr Henrik Sprengel

COMPANY SECRETARY

Tim Slate

PRINCIPAL & REGISTERED OFFICE

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AUDITORS

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PERTH WA 6000
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SHARE REGISTER

Link Market Services
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152 St Georges Terrace
PERTH WA 6000
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Telephone: +61 8 6160 4455

SECURITIES EXCHANGE LISTING

Securities of Health House International Limited (formerly VPCL Limited) are listed on the Australian Securities Exchange.
ASX Code: HHI

BANKERS

Westpac Banking Corporation
109 St George Terrace
PERTH WA 6000
AUSTRALIA

ATTORNEYS

Blackwall Legal LLP
Level 26, 140 St Georges Terrace
PERTH WA 6000
AUSTRALIA

DIRECTORS' REPORT

The directors present their report together with the financial statements of the Group consisting of Health House International Limited (formerly VPCL Limited) (**HHI or the Company**) and the entities it controlled for the financial year ended 30 June 2021. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the directors who held office during or since the end of the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated:

David Wheeler	Chairman
Christopher Mews	Non-Executive Director
Hon Michael Rann	Non-Executive Director (appointed 19 March 2021)
Dr Henrik Sprengel	Executive Director (appointed 10 August 2021)
Leanne Graham	Executive Chairperson (resigned 19 March 2021)

Details on the background and qualifications of directors is contained elsewhere in this report.

COMPANY SECRETARY

Mr. Tim Slate was appointed as Company Secretary on 19 March 2021. Mr. Slate has a Bachelor of Commerce from the University of Western Australia, is a Chartered Accountant, is an Associate Member of the Governance Institute of Australia and is a Graduate of the Australian Institute of Company Directors. Mr. Slate provides accounting and secretarial advice to private and public companies. Mr Slate has over ten years' experience in chartered accounting.

Prior to Mr. Slate's appointment, Mr Christopher Mews was Company Secretary. Mr Christopher Mews has remained on the board as a Non-Executive Director.

PRINCIPAL ACTIVITIES

Health House International Limited (formerly VPCL Limited) is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

The Company is a fully licenced and regulated specialised importer, exporter, consolidator and distributor of medicinal cannabis products, currently distributing medicinal cannabis products to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. With its Wholesale Dealers and Controlled Drugs licences the Company supplies pharmacies, hospital, government departments, veterinarians and other wholesalers with medicinal cannabis and general pharmaceutical products across the UK and Europe.

Health House has supply agreements in place with a number of EU Good Manufacturing Practice (GMP) certified manufacturers and producers of high-quality medicinal cannabis products. The EU GMP licence is issued by the European Medicines Agency and is the most highly credentialled in the world for compliance for the production and manufacturing of pharmaceutical grade medicinal products.

DIRECTORS' REPORT

Health House provides the following services and features to the pharmaceutical products supply chain:

- warehouse management –Health House enters all products into a warehouse management system for accurate inventory management
- controlled drugs storage –Health House has special access areas and procedures in place to deal with controlled drugs. Regular inventory checks are made to ensure secure storage
- delivery –Health House conducts daily deliveries made through secure logistics companies and couriers
- pharmacy support –Health House provides inventory management and support logistics solutions to empower pharmacists to focus on patients and remain competitive in the market
- efficiency –Health House creates efficiency in the healthcare system. Pharmacists do not need to order separately from multiple manufacturers nor manage inventory, saving time and costs
- safety & security –Health House ensures that medicines are properly and securely handled, stored and delivered
- reliability –Health House ensures its medicines are delivered in a time-efficient manner to a range of pharmacies, care homes and clinics.

RESULTS

A summary of the operating results for the year ended 30 June 2021 is as follows:

- Revenue from ordinary activities was \$8,449,564 representing a 41.3% increase on FY2020 \$5,978,940
- Loss after tax was (\$5,307,296) representing a 111% increase on FY2020 (\$2,524,775).
- Net cash outflow from operating activities was (\$2,391,078) representing a 23% increase on FY2020 (\$1,938,237).

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the three years to 30 June 2021.

		30 June 2021	30 June 2020	30 June 2019
EBITDA ¹	\$	(4,738,298)	(2,039,866)	-
Net profit/(loss) before tax	\$	(5,322,572)	(2,588,622)	-
Net profit/(loss) after tax	\$	(5,307,296)	(2,524,775)	-
Share price at start of year	cps	N/A	N/A	N/A
Share price at end of year	cps	14.50	N/A	N/A
Basic and Diluted loss per share	\$	(0.04)	(0.04)	N/A
Return on Capital	\$	(0.68)	(1.22)	N/A

Note 1: EBITDA is a non-IFRS measure which represents earnings before interest, tax, depreciation and amortisation. This is unaudited.

DIRECTORS' REPORT

		30 June 2021	30 June 2020	30 June 2019
Net profit/(loss) after tax	\$	(5,307,296)	(2,524,775)	-
Income tax benefit	\$	15,276	63,847	-
Finance costs	\$	(55,086)	(55,472)	-
Interest Revenue	\$	3,031	337	-
Depreciation and amortisation	\$	(532,219)	(493,621)	-
EBITDA ¹	\$	(4,738,298)	(2,039,866)	-

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

REVIEW OF OPERATIONS**Operating results**

The consolidated loss of the group after providing for income tax attributable to owners of the parent entity amounted to \$5,307,296 (2020: \$2,524,776).

Significant events

The Company, via its subsidiary, Health House Pharma Limited, purchased the trade and assets of Gees Pharmacy, a web-based pharmacy business in the UK, for a total consideration of £332,623 (AUD\$612,701) (refer to Note 22). The Company also secured additional financing of £536,500 (AUD\$968,078) through an issue of equity in October 2020.

On 19 March 2021 Health House International Limited (Health House or HHI), formerly VPCL Limited 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 Acquisition). 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 name and code to Health House International Limited (ASX:HHI) effective from 24 March 2021.

Health House was reinstated to Official Quotation and commenced trading on the ASX on Friday, 16 April 2021, following its re-compliance with Chapters 1 and 2 of the ASX Listing Rules and successful completion of a public offer to raise \$3,500,000 (before costs).

Upon completion of the Acquisition, David Wheeler was appointed as Executive Chairman from Non-Executive Director, the Hon Michael Rann was appointed Non-Executive Director, with Christopher Mews continuing as a Non-Executive Director. Christopher Mews stepped down as Company Secretary with Tim Slate being appointed as Company Secretary.

Leanne Graham stepped down as Non-Executive Director and Chair.

Since its reinstatement date, Health House further expanded its product offering through the execution of a number of distribution agreements in Australia and the United Kingdom.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period covered by this Financial Report, the financial position and performance of the Group was particularly affected by the acquisition of Health House Holdings Limited from the Health House Holdings Limited shareholders. Health House Holdings Limited is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

On 19 March 2021 Health House International Limited (Health House or HHI), formerly VPCL Limited completed the acquisition of Health House Holdings Limited. 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 name and code to Health House International Limited (ASX:HHI) effective from 24 March 2021. Under the principles of AASB3 Business Combinations, Health House Holdings Limited (the unlisted entity) is the accounting acquirer in the deemed business combination and therefore, the transaction has been accounted for as an acquisition of assets (share-based payment) under reverse acquisition principles. Refer Note 22 for details.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

AFTER BALANCE DATE EVENTS

The following occurred after the Balance Date:

Acquisition

On 11 May 2021, Health House International Limited announced the acquisition of 100% of the issued capital of CanPharma.

CanPharma is a Germany based pharmaceutical distribution business focussed on medicinal cannabis. CanPharma is a licenced manufacturer, pharmaceutical wholesale company and a licenced narcotic drug dealer under German legislation. CanPharma also has an office in Barcelona.

The company distributes cannabis flowers and extracts and provides expertise for testing and analysing medicinal cannabis products. It currently has a low volume of sales as set out below.

The transaction was completed on 10 August 2021.

Dr Henrik Sprengel was appointed as Executive Director and Mr David Attwood was appointed as Chief Executive Officer.

DIRECTORS' REPORT

Consideration transferred

The key terms of the acquisition of CanPharma are set out below:

- (a) Health House International Limited will issue 11,753,061 fully paid ordinary shares to the vendors of CanPharma;
- (b) Health House International Limited will issue 36 million Performance Shares; and
- (c) Health House International Limited will issue 6,246,939 fully paid ordinary shares to settle certain debts owed by CanPharma to related parties of CanPharma.

On 20 August 2021, Health House International Limited issued 0.9 million Performance Shares and 0.45 million fully paid ordinary shares to Gemelli Nominees Pty Ltd ("Gemelli") as an introduction fee related to the Proposed Transaction.

Performance Shares

A total of 36.9 million Performance Shares will be issued, as follows:

	Management CanPharma	Consideration Vendors of CanPharma	Introduction Fee Gemelli Nominees
Class A Performance Shares	-	12,000,000	300,000
Class B Performance Shares	6,000,000	6,000,000	300,000
Class C Performance Shares	12,000,000	-	300,000

The terms of the Performance Shares are set out below:

	Revenue Hurdle	Type of Revenue	Period of Revenue
Class A Performance Shares	€5,000,000	Cumulative	2 years
Class B Performance Shares	€10,000,000	Cumulative	2 years
Class C Performance Shares	€15,000,000	Cumulative	2 years

Based on the table above, the Performance Shares will convert to ordinary fully paid shares if CanPharma generates cumulative revenue over a 2-year period from the Completion Date. The Completion Date is the date of approval by Health House International Limited shareholders.

The Performance Shares do not have rights to any of the following:

- a) Voting rights in Health House International Limited;
- b) Dividend rights in Health House International Limited;
- c) No rights to surplus profits or assets;
- d) No right to a return of capital;
- e) The Performance Shares are non-transferrable; and
- f) No right to participate in entitlements and bonus issues.

The Performance Shares do contain a "change of control" provision which means if there is a change of control event for Health House International Limited then the milestones will be deemed to have been met and the Performance Shares will automatically convert into shares at the date of the change in control event.

DIRECTORS' REPORT

The Group has recognised the fair values of the identifiable assets and liabilities of CanPharma based upon the best information available as of the reporting date.

Provisional business combination accounting is as follows:

	\$
Fair value of identifiable net assets	(4,555,505)
Unallocated purchase price	<u>8,695,505</u>
Total consideration	<u><u>4,140,000</u></u>

Net cash outflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	304,662
Net cash inflow	<u><u>304,662</u></u>

Note: a loan agreement is in place and \$1,870,752 has been provided to CanPharma subsequent to year end.

FUTURE DEVELOPMENTS

Health House looks forward to implementing plans to grow the company as outlined in the Public Offer prospectus, with a strong focus on growing revenues by expanding its core operations to become the leading international pharmaceutical distributor specialising in medicinal cannabis products.

Distribution and geographical expansion

Health House is focused on expanding its operations in key strategic markets including Australasia, South East Asia, the UK and Europe. It will do this by leveraging its existing and extensive industry relationships, to enter into new distribution agreements to build out its product range and supplier base.

Health House will focus on securing new supply agreements with GMP-certified producers and manufactures of medicinal cannabis products to increase the volumes and continue to expand its range products for distribution.

Health House will also focus on developing its distribution capability to pharmacies, doctors, hospitals and specialist medicinal cannabis clinics.

Team and Marketing

To support its growing operations and expanding global footprint, Health House will strengthen its team to support customers and suppliers and to focus on product sales and marketing together with ongoing market development.

The company has expanded its work force to include regional employees for the development of the business over the next 24 months. These roles will support the management and growth of the company's commercial and industry relationships in new and existing regions to expedite organic growth and market penetration.

DIRECTORS' REPORT

Acquisitive expansion

Health House's Board, management team and advisors have a proven track record of identifying and implementing strategic acquisitions and successfully integrating these into existing businesses.

Health House is confident in its ability to fully and seamlessly integrate new subsidiaries, teams and distribution channels into its operations to achieve long term value and organic revenue and commercial growth

Health House believes that it continues to be well placed to attract and identify potential acquisition targets in strategic markets to build out its business and expand its geographic distribution footprint.

Online platform

Health House is working towards improvements and expansion of the online platform.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the financial year and the number of meetings attended by each director are:

Directors' Meetings

Director	Number Eligible to Attend	Meetings Attended
David Wheeler	10	9
Christopher Mews	10	10
Hon Michael Rann	3	3
Leanne Graham	7	7

INFORMATION ON DIRECTORS

Name	David Wheeler
Appointed	14 April 2020
Qualifications	BA (Bus), SDIA
Experience	Mr Wheeler has more than 30 years executive management experience, through general management, CEO and Managing Director roles across a range of companies and industries. He has worked on business projects in the USA, UK, Europe, New Zealand, China, Malaysia, and the Middle East (Iran). Mr Wheeler has been a Fellow of the Australian Institute of Company Directors (FAICD) since 1990.
Interest in Shares	4,985,930 Fully Paid Ordinary Shares

DIRECTORS' REPORT

Name	Christopher Mews
Appointed	13 July 2018
Qualifications	CPA, Bachelor of Business degree (Accounting) and is a Chartered Company Secretary
Experience	Mr Mews has been in financial services for over 20 years and is experienced in the financial operation, governance and compliance of Managed Investment Schemes, ASX listed companies and unlisted companies. Mr Mews has held senior positions in finance, corporate secretarial and compliance. In these roles he has been a member of senior management and participated in the due diligence and acquisition of Managed Investment Schemes and participated in various capital raisings for Managed Investment Schemes, ASX listed companies and unlisted companies.
Interest in Shares	12,500 Fully Paid Ordinary Shares
Name	Hon Michael Rann AC CNZM
Appointed	19 March 2021
Qualifications	BA and MA (Hons) from the University of Auckland
Experience	Mr Rann served as a politician in Australia for 26 years where he held roles dealing with both national and international relations which included his ambassador roles to the UK and Italy. Mr Rann now resides in London / Italy where he is the Chairman of the UK registered charity The Power of Nutrition, and is a member of the UK, US and Global boards of London headquartered The Climate Group. He is a Visiting Professor at the Policy Institute of King's College London. He also holds the positions of CEO to his London based business consultancy, Rann Strategy Group.
Interest in Shares	226,085 Fully Paid Ordinary Shares
Name	Dr Henrik Sprengel
Appointed	10 August 2021
Qualifications	Postgraduate degrees in law (LLM, PhD) and an MBA (INSEAD, Fontainebleau/Singapore)
Experience	Dr Sprengel is co-founder of both CanPharma and Kalapa Clinic where he has gained extensive experience in the field of medicinal cannabis. Before founding CanPharma, he was CEO of the company builder Grupo HS3, which successfully launched several international projects across a number of industries, with a focus on internet and technology. Henrik started his career as a lawyer at Clifford Chance; he later held several international senior management positions in global media publishing company Bertelsmann, and as country manager for Spain and Mexico for a German media and tech company
Interest in Shares	5,816,250 Fully Paid Ordinary Shares
Performance Rights	3,877,500 Performance Rights A – see Note 29 4,338,750 Performance Rights B – see Note 29 4,800,000 Performance Rights C – see Note 29

DIRECTORS' REPORT

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company
David Wheeler	<p>Current directorships:</p> <p>Non-Executive Chairman – Health House International Ltd from April 2021</p> <p>Non-Executive Chairman – PVW Resources (previously Thred Ltd) from August 2017</p> <p>Non-Executive Director - Ragnar Metals Ltd from December 2017</p> <p>Non-Executive Chairman - Avira Resources Ltd from September 2018</p> <p>Non-Executive Director - Tyranna Resources Ltd from October 2019</p> <p>Non-Executive Director - Syntonic Ltd from November 2019</p> <p>Non-Executive Chairman - Blaze International Ltd from March 2020</p> <p>Non-Executive Director - Delecta Ltd from June 2020</p> <p>Non-Executive Director – Athena Resources Ltd from June 2021</p> <p>Non-Executive Director – Cycliq Resources Ltd from June 2021</p> <p>Former directorships:</p> <p>Antilles Oil and Gas NL – from February 2016 to November 2018</p> <p>Ultracharge Ltd – from December 2015 to August 2019</p> <p>No other listed directorships have been held by Mr Wheeler in the previous three years.</p>
Christopher Mews	<p>Current directorships:</p> <p>Non-Executive Director – Auscann Group Holdings Ltd from December 2019</p> <p>Non-Executive Director – Cycliq Resources Ltd from June 2021</p>
Hon Michael Rann	None
Dr Henrik Sprengel	None

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for the key management personnel of the Company for the financial year ended 30 June 2021. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel (“KMP”) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

DIRECTORS' REPORT

Key Management Personnel

Directors

David Wheeler

Christopher Mews

Hon Michael Rann

Dr Henrik Sprengel (appointed 10 August 2021) (no remuneration during the year)

CEO

David Attwood (appointed 10 August 2021) (no remuneration during the year)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

Remuneration committee

While the Company does not currently have a formal Remuneration Committee, the Board has adopted a Remuneration Committee Charter, which determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Remuneration structure

In accordance with best practice Corporate Governance, the structure of non-executive director and executive remuneration is separate and distinct.

Service Agreements

Executive Directors Remuneration

Executive Name	Remuneration
David Wheeler	Executive fee of \$120,000 per annum. No service period in contract.
Dr Henrik Sprengel	2-year fixed term consultancy services agreement for EUR 13,330 per month. This agreement has effect from 10 August 2021 and shall continue for the period until 31 March 2022, at which time the parties shall enter into an employment agreement with a fixed term to expire not less than 24 months from 10 August 2021.

Non-executive Director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be as determined from time to time by a general meeting. The latest determination was prior to the companies commencement of quotation on the ASX on July 2011 when shareholders approved an aggregate remuneration of \$500,000 per annum.

DIRECTORS' REPORT

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external shareholders as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable. There was no use of remuneration consultants during the year.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

Long-term incentives can be provided as ordinary shares, options over ordinary shares or performance rights convertible into ordinary shares of the Company. As determined, shareholders in a general meeting will be asked to approve specific grants of shares, options and performance rights to Non-Executive and Executive Directors as a form of remuneration.

Assessing performance

The Board of Directors is responsible for assessing performance against KPIs and determining the STI and LTI to be paid.

Consequences of performance on shareholders wealth

In considering the Group's performance and benefits for shareholder wealth, the Board of Directors considers revenue, profit before tax, changes in share price and return of capital. The overall level of key management personnel's remuneration takes into account the expected performance of the Group over a number of years.

DIRECTORS' REPORT

Details of the nature and amounts of emoluments of key management personnel

2021 Financial Year

Key Management Person	SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	EQUITY BASED RENUMERATION	REMUNERATION
	Salary & Fees	Consulting Fees	Non Monetary	Superannuation Contribution	Total	Total
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
Christopher Mews	62,000	-	-	-	-	62,000
Hon Michael Rann (i)	16,337	-	-	-	-	16,337
<i>Executive Directors:</i>						
David Wheeler	120,000	-	-	-	-	120,000
Leanne Graham (ii)	31,500	45,000	-	-	-	76,500
	229,837	45,000	-	-	-	274,837

(i) Represents remuneration from 19 March 2021 to 30 June 2021

(ii) Resigned 19 March 2021

2020 Financial Year

Key Management Person	SHORT TERM EMPLOYEE BENEFITS			POST EMPLOYMENT	EQUITY BASED RENUMERATION	REMUNERATION
	Salary & Fees	Consulting Fees	Non Monetary	Superannuation Contribution	Total	Total
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>						
David Wheeler (i)	10,500	-	-	-	-	10,500
Christopher Mews	42,000	-	-	-	-	42,000
Justin Klintberg (ii)	31,500	60,000	-	-	-	91,500
<i>Executive Directors:</i>						
Leanne Graham	42,000	65,000	-	-	-	107,000
	126,000	125,000	-	-	-	251,000

(i) Represents remuneration from 3 April 2020 to 30 June 2020

(ii) Represents remuneration from 1 July 2019 to 3 April 2020

DIRECTORS' REPORT

Performance Based Remuneration

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2021	2020	2021	2020	2021	2020
David Wheeler	100%	100%	-	-	-	-
Christopher Mews	100%	100%	-	-	-	-
Hon Michael Rann	100%	-	-	-	-	-
David Attwood	-	-	-	-	-	-
Leanne Graham	100%	100%	-	-	-	-
Justin Klintberg	-	100%	-	-	-	-

Shares Issued to Key Management Personnel on Exercise of Options

No key management personnel exercised options during the years ended 30 June 2021 or 30 June 2020.

Shareholdings of Key Management Personnel

Number of shares held by Directors and Executives during the year as follows:-

2021 Financial Year

	Balance 01/07/2020	Options Exercised	Acquired during period (i)	At Appointment/ (Resignation)	Net Change Other (1 for 50 share consolidation)	Balance 30/06/2021
David Wheeler	-	-	4,985,930	-	-	4,985,930
Christopher Mews	625,000	-	-	-	(612,500)	12,500
Hon Michael Rann	-	-	-	226,085	-	226,085
Leanne Graham	666,667	-	-	(13,333)	(653,334)	-

(i) Vendor and IPO Acquisition

2020 Financial Year

	Balance 01/07/2019	Options Exercised	Acquired/ (disposed)	At Appointment/ (Resignation)	Net Change Other	Balance 30/06/2020
David Wheeler	-	-	-	-	-	-
Christopher Mews	625,000	-	-	-	-	625,000
Justin Klintberg	-	-	-	-	-	-
Leanne Graham	666,667	-	-	-	-	666,667

DIRECTORS' REPORT

Option Holdings of Key Management Personnel

2021 Financial Year

	Balance 01/07/2019	Options Granted as Remuneration	Options Acquired	Expired/forfeited /other	Balance 30/06/2020	Number vested and exercisable
David Wheeler	-	-	-	-	-	-
Christopher Mews	-	-	-	-	-	-
Hon Michael Rann	-	-	-	-	-	-
Leanne Graham	-	-	-	-	-	-
Dr Henrik Sprengel	-	-	-	-	-	-

2020 Financial Year

	Balance 01/07/2019	Options Granted as Remuneration	Options Acquired	Expired/forfeited /other	Balance 30/06/2020	Number vested and exercisable
David Wheeler	-	-	-	-	-	-
Christopher Mews	1,666,667	-	-	(1,666,667)	-	-
Justin Klintberg	1,555,601	-	-	(1,555,601)	-	-
Leanne Graham	7,333,334	-	-	(7,333,334)	-	-

Performance Rights Holdings of Key Management Personnel

2021 Financial Year

	Balance 01/07/2020	Performance Rights Granted	Acquired	At Appointment/ (Resignation)	Balance 30/06/2021	Number vested and exercisable
Dr Henrik Sprengel (i)	-	-	-	-	-	-
David Attwood (i)	-	-	-	-	-	-

(i) Received performance rights subsequent to year end. Refer to Note 29

Other transactions and balances with Key Management Personnel

Pathways Corporate Pty Ltd, a company of which Mr David Wheeler is a Director, charged the Group Rent of \$4,000 (2020: \$nil) during the year on normal commercial terms and conditions. At balance date \$1,500 (2020: \$nil) remained payable.

Voting of shareholders at last year's annual general meeting

Health House International Limited received 97.2% of "yes" votes on its remuneration report for the 2020 financial year. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

This concludes the Remuneration Report.

ENVIRONMENTAL ISSUES

The Group is not subject to any significant environmental legislation.

DIRECTORS' REPORT**INDEMNIFYING OFFICERS**

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

AUDITOR'S INDEPENDENCE DECLARATION AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the Group's auditors to provide the Directors of Health House International Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included on page 18 of the Annual Report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

On behalf of the Board



David Wheeler
Chairman

Perth, 30 September 2021

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Health House International Limited (formerly VPCL Limited) for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2021



D I Buckley
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 \$	2020 Restated \$
Revenue from continuing operations			
Revenue	5	8,449,564	5,978,940
Interest revenue	6	3,031	337
Other revenue	6	53,828	59,614
Expenses			
Cost of Sales		(6,680,531)	(4,636,822)
Administration	6	(4,599,322)	(3,378,996)
Directors' fees		(116,837)	(62,602)
Depreciation and amortisation expense		(532,219)	(493,621)
Finance costs		(55,086)	(55,472)
Share based payment for reverse acquisition	22	(1,845,000)	-
(Loss) from continuing operations before income tax expense		(5,322,572)	(2,588,622)
Income tax benefit	7	15,276	63,847
Net (Loss) after income tax		<u>(5,307,296)</u>	<u>(2,524,775)</u>
Other comprehensive (loss) / income			
Foreign currency recognised on conversion		(73,310)	101,759
Total Comprehensive (Loss) for the Year		<u><u>(5,380,606)</u></u>	<u><u>(2,423,016)</u></u>
(Loss) per share, attributable to the owners			
Basic and diluted (loss) per share	23	(0.04)	(0.04)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	NOTE	2021 \$	2020 Restated \$
CURRENT ASSETS			
Cash and cash equivalents	9	5,224,961	494,924
Trade and other receivables	10	1,314,329	1,093,268
Financial assets at amortised cost	11	-	247,617
Inventory	12	297,985	650,504
TOTAL CURRENT ASSETS		6,837,275	2,486,313
NON-CURRENT ASSETS			
Property, plant and equipment	13	720,010	190,555
Financial assets at amortised cost	11	250,974	-
Investments	14	125,000	-
Intangible assets	15	2,050,588	1,917,512
TOTAL NON-CURRENT ASSETS		3,146,572	2,108,067
TOTAL ASSETS		9,983,847	4,594,380
CURRENT LIABILITIES			
Trade and other payables	16	1,607,646	1,980,805
Lease liabilities	17	181,030	79,050
Borrowings	18	493,031	456,852
TOTAL CURRENT LIABILITIES		2,281,707	2,516,707
NON-CURRENT LIABILITIES			
Trade and other payables	16	-	90,733
Lease liabilities	17	411,832	61,684
Borrowings	18	382,063	12,481
Deferred Tax Liability	7	117,816	93,240
TOTAL NON-CURRENT LIABILITIES		911,711	258,138
TOTAL LIABILITIES		3,193,418	2,774,845
NET ASSETS		6,790,429	1,819,535
EQUITY			
Share capital	19	19,236,538	8,885,038
Translation reserve		28,449	101,759
Other reserves		(4,642,487)	(4,642,487)
Accumulated losses		(7,832,071)	(2,524,775)
TOTAL EQUITY		6,790,429	1,819,535

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Other Reserves	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2019	-	-	-	-	-
Loss for the year	-	(2,524,775)	-	-	(2,524,775)
Other comprehensive income	-	-	101,759	-	101,759
Total comprehensive loss for the year	-	(2,524,775)	101,759	-	(2,423,016)
Issue of share capital	8,885,038	-	-	-	8,885,038
Consolidation adjustment	-	-	-	(4,642,487)	(4,642,487)
Balance at 30 June 2020 (Restated)	8,885,038	(2,524,775)	101,759	(4,642,487)	1,819,535
Balance as at 1 July 2020	8,885,038	(2,524,775)	101,759	(4,642,487)	1,819,535
Loss for the year	-	(5,307,296)	-	-	(5,307,296)
Other comprehensive loss	-	-	(73,310)	-	(73,310)
Total comprehensive loss for the year	-	(5,307,296)	(73,310)	-	(5,380,606)
Shares issued during the year	2,028,353	-	-	-	2,028,353
Deemed Consideration of issue of ordinary shares by VPCL as purchase consideration of HH (UK)	5,215,176	-	-	-	5,215,176
Shares issued under prospectus	3,500,000	-	-	-	3,500,000
Transaction costs relating to issue of shares	(392,029)	-	-	-	(392,029)
Balance at 30 June 2021	19,236,538	(7,832,071)	28,449	(4,642,487)	6,790,429

The accompanying notes form part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTE	2021 \$	2020 \$
Cash Flows from Operating Activities			
Receipts from customers		9,220,642	5,065,923
Payments to suppliers and employees		(11,627,461)	(7,050,719)
Interest received		353	-
Interest paid		(39,614)	(13,055)
Other income		55,002	59,614
<i>Net cash used in operating activities</i>	24	<u>(2,391,078)</u>	<u>(1,938,237)</u>
Cash Flows from Investing Activities			
Purchase of bonds		-	(255,836)
Cash acquired - Gees Pharmacy	22	(340,784)	-
Cash acquired - VPCL Limited	22	3,292,625	587,571
Purchase of property, plant and equipment		(80,989)	(4,135)
Purchase of intangible assets		(2,053)	(772,253)
<i>Net cash (used in) / from investing activities</i>		<u>2,868,799</u>	<u>(444,653)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		968,078	2,524,140
Proceeds from issue of shares under prospectus		3,500,000	-
Payment of issue costs associated with issue of shares		(392,029)	-
Proceeds from loans		570,752	422,127
Repayment of loans		(148,732)	-
Payments of lease liabilities		(234,301)	(66,114)
<i>Net cash from financing activities</i>		<u>4,263,768</u>	<u>2,880,153</u>
Net increase in cash and cash equivalents		4,741,489	497,263
Effect of exchange rate fluctuations on cash held		(11,452)	(2,339)
Cash and cash equivalents at beginning of financial year		494,924	-
Cash and cash equivalents at end of financial year		<u>5,224,961</u>	<u>494,924</u>

The accompanying notes form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

(a) Statement of significant accounting policies

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

For the purposes of preparing the financial report the Group is a for-profit entity.

The financial report covers the consolidated entity of Health House International Limited (“the legal Parent”) and its subsidiaries (“the Group” or “Consolidated Entity”). Health House International Limited (Health House International Limited) is a listed public company, incorporated and domiciled in Australia. The entity’s principal activities are detailed in the Directors Report.

Reporting basis and conventions

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied where relevant.

The financial statements are presented in Australian dollars which is Health House International Limited’s functional and presentation currency.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

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 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(b) Adoption of new and revised standards****Changes in accounting policies on initial application of Accounting Standards*****Standards and Interpretations applicable to 30 June 2021***

In the year ended 30 June 2021, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issue not yet effective

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet effective for the year ending 30 June 2021. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet effective on the Group and therefore no material change is necessary to Group accounting policies.

(c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of \$5,307,296 (2020: \$2,524,775) and had operating cash outflows of \$2,391,078 for the year ended 30 June 2021 (2020: \$1,938,237). As at 30 June 2021, the Group's held cash and cash equivalents of \$5,224,961 (2020: \$494,924).

The ability of the entity to continue as a going concern is dependent on Health House continuing to secure distribution agreements within Australia, the UK and Germany, successfully commercializing CanPharma branded extracts and flower product, securing supply contracts with the National Health Service in the United Kingdom and the Malta government or securing additional funding through capital raising activities to continue its operational and marketing activities. Should these be unsuccessful, there is a material uncertainty relating to the Group's ability to continue as a going concern and be able to realise its assets and extinguish its liabilities in the normal course of business.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to generate sufficient revenue or secure funds to meet its commitments.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- whether the Group is able to generate sufficient revenue within Australia;
- whether the Group is able to generate sufficient revenue within the United Kingdom;
- whether the Group is able to generate sufficient revenue from CanPharma operations;
- whether the Company will be able to raise equity in this current market; and
- whether the Group would be able to secure any other sources of funding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(d) Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement in with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights are sufficient to give it power, including,

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties; rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including
- voting patterns at previous shareholder meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in subsidiaries. Any difference between the amount paid by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between:

- The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/permitted by the applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(e) Foreign Exchange***Foreign currency transactions***

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. The Directors have determined that the functional currency of the Group is Australian Dollars.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. 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.

(f) Revenue Recognition

The Group enters into contracts for the sale and distribution of medicinal cannabis products and other medical supplies. Revenue is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards or ownership have been transferred to the customer and collection of the sales price is reasonably assured. The performance obligation is identified to be the delivery of supplies to the customer, and the transaction price is allocated to the number of units delivered. These criteria for performance obligation are assessed to have occurred once the product has been delivered to the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(g) Other income and expenses****Interest income**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets' net carrying amount on initial recognition.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of profit or loss and other comprehensive income on a straight-line basis over the expected lives of the related assets.

Other income

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

(h) Income Tax

The charge for current income tax expenses is based on the profit/loss for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions or deductibility imposed by the law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(i) Other Taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

(j) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Health House International Ltd.

(k) Earnings per share***Basic earnings (loss) per share***

Basic earnings per share ("EPS") is calculated as net profit or loss, attributable to members, adjusted to exclude any costs of servicing equity.

Diluted earnings (loss) per share

Diluted EPS earnings is calculated by adjusting the basic EPS earnings for the after tax effect of financing costs and the effect of conversion to ordinary shares associated with dilutive potential ordinary shares, rather than including the notional earnings on the funds that would have been received by the entity had the potential ordinary shares been converted.

The diluted EPS weighted average number of shares includes the number of ordinary shares assumed to be issued for no consideration in relation to dilutive potential ordinary shares, rather than the total number of dilutive potential ordinary shares. The number of ordinary shares assumed to be issued for no consideration represents the difference between the number that would have been issued at the exercise price and the number that would have been issued at the average price.

The identification of dilutive potential ordinary shares is based on net profit or loss from continuing ordinary operations, not net profit or loss and is applied on a cumulative basis, taking into account the incremental earnings and incremental number of shares for each series of potential ordinary share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(l) 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 consolidated 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 consolidated 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.

(m) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(n) 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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(o) Financial assets***Recognition and derecognition***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- equity instruments at fair value through other comprehensive income (FVOCI)
- debt instruments at fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

The category also contains an equity investment. The Group accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in unlisted and listed equity securities at fair value through other comprehensive income (FVOCI). The fair value was determined in line with the requirements of AASB 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(p) Impairment of Assets

At each reporting date, the Group reviews the carrying values of tangible assets and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(q) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Finished goods – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

(r) Property, Plant and Equipment

Plant and equipment is stated at historical cost or fair value less accumulated depreciation and impairment.

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

Plant and machinery	5 – 20 years
Computer equipment	5 years
Office equipment	3 years
Right of use asset	Length of lease

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

Leasehold improvements 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(s) Right-of-use assets

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

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

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

(t) 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.

Amortisation methods and useful lives

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Website costs	10 years
Customer contracts	2-3 years

Customer contracts were acquired as part of a business combination (see Note 15 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

(u) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(v) Trade and other payables*****Trade and other payables***

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(w) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(x) Lease liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(y) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(z) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

(aa) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. SUMMARY OF ACCOUNTING POLICIES (CONT.)****(bb) 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.

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.

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.

(cc) Reverse Acquisition

A reverse acquisition occurs when the acquirer is the entity whose equity interests have been acquired and the issuing entity is the acquiree. This might be the case when a private entity arranges to have itself 'acquired' by a smaller public entity as a means of obtaining a stock exchange listing. Although legally the issuing entity is regarded as the parent and the private entity is regarded as the subsidiary, the legal subsidiary is the accounting acquirer if it has the power to govern the financial and operating policies of the legal parent so as to obtain benefits from its activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

In a reverse acquisition, the cost of the business combinations is deemed to have been incurred by the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. The published price of the equity instruments of the acquirer is used to determine the cost of the combination, or where this is not available, the deemed fair value of its shares, and a calculation shall be made to determine the cost of the combination, or where this is not available, the deemed fair value of its shares, and a calculation shall be made to determine the number of equity instruments that acquirer would have to issue to provide the same percentage ownership interest of the combined entity to the owners/shareholders of the acquirer as they have in the combined entity as a result of the reverse acquisition. The fair value of the number of equity instruments so calculated shall be used as the cost of the combination.

On 19 March 2021, VPCL Limited (now Health House International Limited, the legal parent entity) acquired 100% of the issued shares of Health House Holdings Limited (an unlisted entity). VPCL Limited changed its name to Health House International Limited on 29 January 2021. Under the principles of AASB3 Business Combinations, Health House Holdings Limited (the unlisted entity) is the accounting acquirer in the deemed business combination and therefore, the transaction has been accounted for as a Share-based Payment (asset acquisition) under reverse acquisition principles. Refer to Note 22 for details of the reverse acquisition and its financial effects during the current financial year.

(dd) 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.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES (CONT.)

(ee) Share based payment transactions

For equity-settled share-based payment transactions, the Group measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or service received cannot be estimated reliably, the Group measure their value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity granted.

(ff) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company. 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.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates:

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 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 15 for further information.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)*****Incremental borrowing rate***

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Estimation of useful lives of assets

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

Share based payments

Share-based payments are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

3. CORRECTION OF ERROR

The financial report has been prepared based on an adjustment for the correction of prior period errors for the year ended 30 June 2020. The errors relate to intangible assets, property plant and equipment, lease liabilities and deferred tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CORRECTION OF ERROR (CONT.)

Restated Statement of Profit and Loss and Other Comprehensive Income (extract):

	2020	Adjustment Correction of Error	2020 Restated
	\$	\$	\$
Revenue from continuing operations			
Revenue	5,978,940	-	5,978,940
Interest revenue	337	-	337
Other revenue	59,614	-	59,614
Expenses			
Cost of Sales	(4,636,822)	-	(4,636,822)
Administration	(3,396,495)	17,499	(3,378,996)
Directors' fees	(62,602)	-	(62,602)
Depreciation and amortisation expense	(407,076)	(86,545)	(493,621)
Finance costs	(54,364)	(1,108)	(55,472)
(Loss) from continuing operations before income tax expense	(2,518,468)	(70,154)	(2,588,622)
Income tax benefit	-	63,847	63,847
(Loss) for the year	(2,518,468)	(6,307)	(2,524,775)
Other comprehensive income	-	-	-
Total Comprehensive (Loss) for the Year	(2,518,468)	(6,307)	(2,524,775)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CORRECTION OF ERROR (CONT.)

Statement of financial position of comparative period (extract):

	2020	Adjustment Correction of Error	2020 Restated
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	494,924	-	494,924
Trade and other receivables	1,093,268	-	1,093,268
Financial assets at amortised cost	247,617	-	247,617
Inventory	650,504	-	650,504
TOTAL CURRENT ASSETS	2,486,313	-	2,486,313
NON-CURRENT ASSETS			
Property, plant and equipment	111,072	79,483	190,555
Intangible assets	1,830,236	87,276	1,917,512
TOTAL NON-CURRENT ASSETS	1,941,308	166,759	2,108,067
TOTAL ASSETS	4,427,621	166,759	4,594,380
CURRENT LIABILITIES			
Trade and other payables	1,980,805	-	1,980,805
Lease liabilities	29,354	49,696	79,050
Borrowings	456,852	-	456,852
TOTAL CURRENT LIABILITIES	2,467,011	49,696	2,516,707
NON-CURRENT LIABILITIES			
Trade and other payables	90,733	-	90,733
Lease liabilities	31,554	30,130	61,684
Borrowings	12,481	-	12,481
Deferred Tax Liability	-	93,240	93,240
TOTAL NON-CURRENT LIABILITIES	134,768	123,370	258,138
TOTAL LIABILITIES	2,601,779	173,066	2,774,845
NET ASSETS	1,825,842	(6,307)	1,819,535
EQUITY			
Share capital	8,885,038	-	8,885,038
Translation reserve	101,759	-	101,759
Other reserves	(4,642,487)	-	(4,642,487)
Accumulated losses	(2,518,468)	(6,307)	(2,524,775)
TOTAL EQUITY	1,825,842	(6,307)	1,819,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into two operating segments based on geographic location of operations: Australia and United Kingdom. These 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 CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Operating segment information

2021

Segment Revenue	Australia	UK	Total
	\$	\$	\$
Sale of goods	3,603,177	4,846,387	8,449,564
Interest revenue	185	2,846	3,031
Other revenue	50,175	3,653	53,828
Total revenue	3,653,537	4,852,886	8,506,423

Segment Result	Australia	UK	Total
	\$	\$	\$
EBITDA	(2,551,467)	(2,186,831)	(4,738,298)
Depreciation and amortisation	(29,736)	(502,483)	(532,219)
Interest revenue	185	2,846	3,031
Finance costs	(3,055)	(52,031)	(55,086)
Loss before income tax expense	(2,584,073)	(2,738,499)	(5,322,572)
Income tax benefit	-	15,276	15,276
Loss after income tax expense	(2,584,073)	(2,723,223)	(5,307,296)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. OPERATING SEGMENTS (CONT.)

Segment assets and liabilities	Australia	UK	Total
	\$	\$	\$
Total assets	5,707,061	4,276,786	9,983,847
Total liabilities	(1,025,769)	(2,167,650)	(3,193,419)
Net assets (liabilities)	4,681,292	2,109,136	6,790,428

Other information

Additions to non-current assets excluding financial instruments and deferred tax	301,348	1,094,270	1,395,618
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2020

Segment Revenue	Australia	UK	Total
	\$	\$	\$
Sale of goods	1,807,974	4,170,966	5,978,940
Interest revenue	119	218	337
Other revenue	55,024	4,590	59,614
Total revenue	1,863,117	4,175,774	6,038,891

Segment Result	Australia	UK	Total
	\$	\$	\$
EBITDA	(428,508)	(1,611,358)	(2,039,866)
Depreciation and amortisation	(53,767)	(439,854)	(493,621)
Interest revenue	119	218	337
Finance costs	(6,392)	(49,080)	(55,472)
Profit before income tax expense	(488,548)	(2,100,074)	(2,588,622)
Income tax benefit	-	63,847	63,847
Profit after income tax expense	(488,548)	(2,036,227)	(2,524,775)

Segment assets and liabilities	Australia	UK	Total
	\$	\$	\$
Total assets	2,254,082	2,340,298	4,594,380
Total liabilities	(914,898)	(1,859,948)	(2,774,846)
Net assets (liabilities)	1,339,184	480,351	1,819,535

Other information

Additions to non-current assets excluding financial instruments and deferred tax	112,912	1,096,261	1,209,173
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5. REVENUE

	2021	2020
	\$	\$
Revenue from contracts with customers		
Sale of goods	8,449,564	5,978,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**5. REVENUE (CONT.)**

	2021	2020
Timing of revenue recognition	\$	\$
Goods transferred at a point in time	<u>8,449,564</u>	<u>5,978,940</u>

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

Consolidated -2021

Geographical regions	Australia	UK	Total
	\$	\$	\$
Sale of goods	<u>3,603,177</u>	<u>4,846,387</u>	<u>8,449,564</u>

Consolidated -2020

Geographical regions	Australia	UK	Total
	\$	\$	\$
Sale of goods	<u>1,807,974</u>	<u>4,170,966</u>	<u>5,978,940</u>

6. OTHER INCOME AND EXPENSES

	2021	2020
	\$	\$
(a) Revenue		
Interest revenue	3,031	337
Other revenue:		
Sponsorship income	-	9,591
Government grants	53,828	50,023
	<u>53,828</u>	<u>59,614</u>

(b) Expenses

Cost of sales:		
- Direct costs	6,611,065	4,573,677
- Registrations	64,470	49,635
- Commissions payable	4,996	13,510
	<u>6,680,531</u>	<u>4,636,822</u>

Administration expenses:

- Salaries and other employee costs	2,482,743	1,493,772
- Audit and accountancy fees	286,238	211,625
- Legal and professional fees	111,380	249,388
- Consulting fees	649,541	908,963
- Reconciliation and acquisition	304,752	-
- Other administration expenses	764,668	515,248
	<u>4,599,322</u>	<u>3,378,996</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**7. INCOME TAX**

	2021	2020
	\$	\$
Income tax expense		
Current tax	-	-
Deferred tax	15,276	63,847
Total income tax expense	15,276	63,847

- (a) The prima facie income tax on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:

	2021	2020
	\$	\$
Loss for the year	(5,322,572)	(2,588,622)
Income tax charge/(benefit) calculated at 26% (2020: 23.25%)	(1,383,868)	(601,854)
Non-deductible expenses	544,672	907,719
Non-assessable income	(13,000)	(70)
Other deductible expenses	(120,658)	-
Difference in tax rate of subsidiaries	74,889	59,329
Unused tax losses not recognised as a deferred tax asset	882,689	(428,971)
Income tax expense/(benefit) reported in the Statement of Profit or Loss and Other Comprehensive Income	(15,276)	(63,847)

- (b) Deferred tax liabilities comprise:

	2021	2020
	\$	\$
Intangibles	117,816	93,240
	117,816	93,240

- (c) Unrecognised deferred tax balances:

	2021	2020
	\$	\$
The following deferred tax assets have not been brought to account:		
Unrecognised deferred tax asset – tax losses*	1,407,614	524,925
Unrecognised deferred tax asset – other temporary differences	32,915	-
Net deferred tax assets not brought to account	1,440,529	524,925

* There are potential further deferred tax assets in respect of tax losses (with an estimated potential value of \$5.9m) of the holding company that are subject to a detailed analysis of the continuity of ownership test but are not included above due to their uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX (CONT.)

The taxation benefits of tax losses and timing not brought to account will only be obtained if:

- (i) assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- (ii) conditions for deductibility imposed by the law are complied with; and
- (iii) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

8. KEY MANAGEMENT PERSONNEL

Compensation

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

	2021	2020
	\$	\$
Short-term employee benefits	274,837	251,000

Pathways Corporate Pty Ltd, a company of which Mr David Wheeler is a Director, charged the Group Rent of \$4,000 (2020: \$nil) during the year on normal commercial terms and conditions. At balance date \$1,500 (2020: \$nil) remained payable.

9. CASH AND CASH EQUIVALENTS

	2021	2020
	\$	\$
Current		
Cash at bank and on hand	5,224,961	494,924

Cash at bank earns interest at fixed and floating rates based on daily bank and term deposit rates.

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
Current		
Trade and other receivables	624,110	757,853
GST / VAT receivable	156,011	181,492
Prepayments	394,880	109,148
Other receivables	139,328	42,961
Other	-	1,814
	1,314,329	1,093,268

Group

Other receivables are non-trade receivables, and are non-interest bearing. The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE AND OTHER RECEIVABLES (CONT.)

The Group applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's primary customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The other customer base relates to State customers, with no history of default, therefore, the lifetime expected losses are considered to be \$nil.

The rent deposits of \$129,633 (2020: \$15,515) will be fully refundable after the lease agreement ends on 30 June 2025.

Company

All amounts due from subsidiary undertakings are repayable on demand, and are non-interest bearing. No allowances for ECL's have been made during the year ended 30 June 2021 (2020: \$Nil).

11. FINANCIAL ASSETS AT AMORTISED COST

	2021	2020
Current	\$	\$
Bonds	-	247,617
	-	247,617
Non-current	\$	\$
Bonds	250,974	-
	250,974	-

On 2 June 2020, the Group entered into a loan agreement with the Ministry for Health Central Procurement and Supplies Unit of Malta. The bond is unsecured and bears no interest and is held in Euros. The bond is renewable on an annual basis.

12. INVENTORIES

	2021	2020
Current	\$	\$
Finished goods – at cost	297,985	650,504
	297,985	650,504

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**13. PROPERTY PLANT AND EQUIPMENT**

	Computer Equipment	Office Equipment	Plant & Machinery	Right of Use Asset Restated	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$
<i>Cost</i>						
Balance as at 1 July 2020	21,039	3,992	36,294	209,203	-	270,528
Additions	6,311	15,050	66,566	511,857	13,816	613,600
Additional extension option	-	-	-	110,329	-	110,329
Balance as at 30 June 2021	<u>27,350</u>	<u>19,042</u>	<u>102,860</u>	<u>831,389</u>	<u>13,816</u>	<u>994,457</u>
<i>Accumulated depreciation</i>						
Balance as at 1 July 2020	1,753	1,194	5,949	71,077	-	79,973
Charge for the year	4,996	5,424	8,263	173,488	2,303	194,474
Balance as at 30 June 2021	<u>6,749</u>	<u>6,618</u>	<u>14,212</u>	<u>244,565</u>	<u>2,303</u>	<u>274,447</u>
Net book value as at 30 June 2021	<u>20,601</u>	<u>12,424</u>	<u>88,648</u>	<u>586,824</u>	<u>11,513</u>	<u>720,010</u>
Net book value as at 30 June 2020	<u>19,286</u>	<u>2,798</u>	<u>30,345</u>	<u>138,126</u>	<u>-</u>	<u>190,555</u>

Office equipment of £7,500 (AUD\$13,816) and motor vehicles of £7,500 (AUD\$13,816) acquired during the year ended 30 June 2021 in part relates to the assets acquired from Gees Pharmacy (refer to Note 22)

14. INVESTMENTS

	2021 \$	2020 \$
Non-Current		
Pro 9 Global Pty Ltd – at fair value	<u>125,000</u>	<u>-</u>

The investment is measured at fair value using level 2 hierarchy using a recent capital raise price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**15. INTANGIBLES**

	Website Costs	Customer Contracts Restated	Goodwill	Total
Cost				
At 1 July 2020 (Restated)	74,170	881,925	1,362,410	2,318,505
Additions	1,750	545,789	-	547,539
Movement in FX rates	1,116	10,937	2,624	14,677
At 30 June 2021	<u>77,036</u>	<u>1,438,651</u>	<u>1,365,034</u>	<u>2,880,721</u>
Amortisation				
At 1 July 2020 (Restated)	3,820	397,173	-	400,993
Charge for the year	7,690	416,446	-	424,136
Movement in FX rates	57	4,947	-	5,004
At 30 June 2021	<u>11,567</u>	<u>818,566</u>	<u>-</u>	<u>830,133</u>
Net book value as at 30 June 2021	<u>65,469</u>	<u>620,085</u>	<u>1,365,034</u>	<u>2,050,588</u>
Net book value as at 30 June 2020	<u>70,350</u>	<u>484,752</u>	<u>1,362,410</u>	<u>1,917,512</u>

Customer contracts of £240,001 (AUD\$436,659) have been capitalised as part of the acquisition of trade and assets from Gees Pharmacy Limited on 1 September 2020 (see Note 22 for details). The customer contracts have been recognised at their fair value at the date of acquisition, and are subsequently amortised on a straight-line based on the timing of projected cash flows of the contracts over their estimated useful lives.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 2 year projection period approved by management and extrapolated for a further 3 years using a steady rate, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model:

- 15% pre-tax discount rate;
- 5% per month projected revenue growth rate for the 2022 year;
- 5% per annum increase in operating costs and overheads

The discount rate of 15% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected 5% monthly in 2022 revenue growth rate is conservative, based on growth in the market and Group historic growth.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. INTANGIBLES (CONT.)

Management have increased costs in accordance with operational requirements in line with expected increased activity.

There were no other key assumptions.

From our above assessment for the reporting period 30 June 2021, we are satisfied that there is no indication that Goodwill may be impaired.

16. TRADE AND OTHER PAYABLES

Current (unsecured)	2021	2020
	\$	\$
Trade payables	1,236,139	1,162,337
Other Creditors	68,195	456,886
Accruals	195,189	305,897
Employee related payables	108,123	55,685
	<u>1,607,646</u>	<u>1,980,805</u>
Non-current (unsecured)		
Deferred consideration	-	90,733
	<u>-</u>	<u>90,733</u>

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs and are non-interest bearing. For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is chargeable on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that payables are paid within the credit timeframe. Due to the short-term nature of the trade payables the carrying amount approximates fair value.

Other payables are non-trade receivables, and are non-interest bearing. The above amounts do not bear interest and the Directors consider that the carrying amount is equivalent to their fair value.

All amounts due to group companies are repayable on demand, and are non-interest bearing.

As at 30 June 2020, there was £50,000 (AUD\$90,970) of deferred consideration relating to the acquisition of P&D Pharmaceuticals, which has since been written off as it is no longer payable as at 30 June 2021. The deferred consideration balance was written off and recognised as a gain within other administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**17. LEASE LIABILITIES**

	2021 \$	2020 Restated \$
<i>Carrying value</i>		
Current liabilities	181,030	79,050
Non-current liabilities	411,832	61,684
	<u>592,862</u>	<u>140,734</u>

The total cash outflow for leases during the period was \$185,347 (2020: \$66,114).

The Group leases buildings, the average lease term of which is 5 years. None of the leases held by the group expired in the current financial year. Incremental borrowing rate used is 7% for Australian liabilities and 5% for UK liabilities.

18. BORROWINGS

Current (secured)	2021	2020
	\$	\$
Other loans	-	8,727
Current (unsecured)		
Other loans	493,031	448,125
	<u>493,031</u>	<u>456,852</u>
Non-current (secured)		
Other loans	382,063	12,481
	<u>382,063</u>	<u>12,481</u>

On 11 March 2020, the Group entered into a loan agreement with Gees Pharma Limited. This loan agreement is unsecured, and bears interest at a rate of 5% per annum, which is repayable at the end of the loan term. The loan is expected to be repaid by 30 June 2022, and as at 30 June 2021, the outstanding amount is £78,228 (AUD\$144,098) (30 June 2020: £74,556 (AUD\$137,334)).

On 2nd June 2020, the Group entered into a loan agreement with Gees Pharma Limited. This loan agreement is unsecured, and bears interest at a rate of 5% per annum, which is repayable at the end of the loan term. The loan is expected to be repaid by 30 June 2022, and as at 30 June 2021, the outstanding amount is £135,768 (AUD\$250,088) (30 June 2020: £136,771 (AUD\$251,936)).

During the year ended 30 June 2021 the Group received various funding from the UK government as support for the COVID-19 pandemic, totalling £170,919 (AUD\$314,838) (30 June 2020: nil). Of this, the Department of Health and Social Care advance payment of £20,919 (AUD\$38,533) is repayable from October 2021 in 6 equal monthly instalments. This funding is interest free. The remaining £150,000 (AUD\$276,304) funding provided under the CBILS loan scheme and bears an interest rate of 12.22% per annum. Under the CBILS loan scheme, the UK Government will pay the interest accrued on this loan until 13 August 2021. This loan is repayable by 13 August 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**18. BORROWINGS (CONT.)**

Also included within unsecured loans is a balance of EUR 27,927 (AUD\$51,442) (30 June 2020: nil), which relates to the Group's credit facility with Market Finance. This balance represents funds received in advance from the credit facility, and there is no interest attached.

19. ISSUED CAPITAL

		2021	2020	
		\$	\$	
Issued Capital		19,236,538	8,885,038	
	Year to	Year to	Year to	Year to
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	No.	No.	\$	\$
<i>Movements in ordinary shares on issue</i>				
At start of period	101,698,310	-	8,885,038	-
Share issued on incorporation	-	1	-	-
Ordinary shares issued	13,600,433	14,259,800	2,028,353	7,298,306
Ordinary shares issued in exchange for shares in CliniCann	-	87,438,509	-	1,586,732
Movement in share premium	-	-	-	-
Share issue costs	-	-	-	-
Elimination of legal acquiree share capital on reverse acquisition	(115,298,743)	-	-	-
Recognition of legal acquirer share capital on reverse acquisition	1,130,846,123	-	-	-
Consolidation of capital 50 to 1	(1,108,229,201)	-	-	-
Shares issued to advisors – acquisition related costs	3,458,961	-	-	-
Consideration shares	115,298,743	-	5,215,176	-
Shares issued under prospectus	17,500,000	-	3,500,000	-
Transaction costs relating to issue of shares	-	-	(392,029)	-
Foreign exchange conversion	-	-	-	-
At end of period	158,874,626	101,698,310	19,236,538	8,885,038

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

20. RESERVES**Foreign currency reserve**

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESERVES (CONT.)

Other reserves

The other reserve was created as a result of the acquisition by the Company of the entire issued share capital of CliniCann Ltd. This acquisition was effected by a share-for-share exchange. In preparing consolidated financial statements, the amount by which the fair value of the shares issued exceeded their nominal value was recorded in an 'other' reserve on consolidation. This reserve is not considered to be distributable.

21. FINANCIAL INSTRUMENTS

The Group are exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The Group is funded by both of its shareholders through equity financing.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital and retained profits.

The Group has no externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies section of these financial statements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade and other receivables;
- Trade and other payables;
- Cash and cash equivalents;
- Financial assets at amortised cost; and
- Borrowings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT.)

Categories of financial instruments

2021	Variable interest rate \$	Maturity dates				Non- interest bearing \$	Total \$
		Less than 1 year \$	1-2 years \$	2-5 years	Over 5 years \$		
		Financial assets:					
Trade and other receivables		1,314,329	-	-	-	1,314,329	1,314,329
Financial assets at amortised cost		-	250,974	-	-	250,974	250,974
Cash and cash equivalents		5,224,961	-	-	-	5,224,961	5,224,961
Investments		-	-	125,000	-	125,000	125,000
Financial liabilities:							
Trade and other payables		1,607,646	-	-	-	1,607,646	1,607,646
Borrowings	Note 18	493,031	382,063	-	-	-	875,094
Lease liabilities		181,030	411,832	-	-	-	592,862

2020	Variable interest rate \$	Maturity dates				Non- interest bearing \$	Total \$
		Less than 1 year \$	1-2 years \$	2-5 years	Over 5 years \$		
		Financial assets:					
Trade and other receivables		1,093,268	-	-	-	1,093,268	1,093,268
Financial assets at amortised cost		247,617	-	-	-	247,617	247,617
Cash and cash equivalents		494,924	-	-	-	494,924	494,924
Financial liabilities:							
Trade and other payables		1,980,805	90,734	-	-	2,071,538	2,071,538
Borrowings	Note 18	456,852	12,481	-	-	-	469,333
Lease liabilities		79,050	61,684	-	-	-	140,734

Note: interest is immaterial to the Group and has not been included above.

Fair value measurements

The information set out below provides information about how the Group and Company determines fair values of various financial assets and financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**21. FINANCIAL INSTRUMENTS (CONT.)**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments are defined as any contract that gives rise to both the recognition of a financial asset in one entity and a financial liability or equity instrument in another entity. The estimated fair value of a financial instrument is the amount at which the instrument could be exchanged in the market. For the purpose of estimating the fair value of financial assets maturing in less than one year, the Group uses the market value. For other investments, the Group uses quoted prices in the market. In relation to financial liabilities, since most loans are taken at variable rates or fixed rates that approximate to market rates, the fair value of loans approximates their carrying value. The fair value disclosures relating to the Group's investments are disclosed in Note 14.

Financial risk management objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk assessments. These risks include credit risk, currency risk and capital risk.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's trade receivables, other financial assets and its cash balances. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and ageing. The Group's primary customer base is of a similar bracket and share the same characteristics, as such these have been treated as one population. The other customer base relates to State customers, with no history of default, therefore, the lifetime expected losses are considered to be \$nil.

The concentration of the Group's credit risk is considered by counterparty, geography and currency. The Group holds the majority of its cash with one bank in each country of operation.

There are no other significant concentrations of credit risk at the Statement of Financial Position date.

At 30 June 2021, the Group held no collateral as security against any financial asset. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. At 30 June 2021, there were no financial assets, other than trade receivables, that were past their due date. As a result, there has been no impairment of other financial assets during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT.)

The Group maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via both the annual budgetary process and the ongoing authorisation for expenditure process. At 30 June 2021, the Group had \$5,224,961 (2020: \$494,924) of cash reserves.

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currencies hence exposures to exchange rate fluctuations arise. The Group does not manage these exposures with foreign currency derivative products. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance date expressed in Australian dollars are as follows:

British Pound Sterling (GBP)

	2021	2020
	\$	\$
Assets	1,329,527	606,793
Liabilities	(842,803)	(1,775,719)
	486,724	(1,168,926)

Euro (EUR)

	2021	2020
	\$	\$
Assets	159,989	579,717
Liabilities	(174,092)	(61,592)
	(14,103)	518,126

United States Dollars (USD)

	2021	2020
	\$	\$
Assets	-	7,211
Liabilities	-	-
	-	7,211

Canadian Dollars (CAD)

	2021	2020
	\$	\$
Assets	-	-
Liabilities	-	(35,142)
	-	(35,142)

The Group is exposed to British Pound Sterling (GBP), Euro (EUR), United States Dollars (USD) and Canadian Dollar (CAD) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT.)

The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates an increase in profit and equity where the Australian Dollar weakens against the respective currency. For a strengthening of the Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and equity and the balances below would be negative.

10% Increase

	2021	2020
	\$	\$
Profit/(loss) and equity – GBP	48,672	(116,893)
Profit/(loss) and equity – EUR	(1,410)	51,813
Profit/(loss) and equity – USD	-	721
Profit/(loss) and equity – CAD	-	(3,514)
	47,262	(67,873)

10% Decrease

	2021	2020
	\$	\$
Profit/(loss) and equity – GBP	(48,672)	116,893
Profit/(loss) and equity – EUR	1,410	(51,813)
Profit/(loss) and equity – USD	-	(721)
Profit/(loss) and equity – CAD	-	3,514
	(47,262)	67,873

Capital risk

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (see Note 1 for going concern statement).

Interest rate risk is not material to the Group.

22. ACQUISITIONS

Acquisition of Gees Pharmacy

On 1 September 2020, the Group purchased the trade and other assets of Gees Pharmacy, a web-based pharmacy business in the UK, for a total consideration of £325,001 (AUD\$598,661) (plus working capital adjustments). The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITIONS (CONT.)

	\$
Office Equipment	13,815
Motor Vehicles	13,815
Stock	128,942
Working capital	14,040
Customer contracts	545,790
Deferred tax liability	(103,701)
Total identifiable assets acquired and liabilities assumed	612,701
Goodwill	-
The consideration is consisted of:	\$
Cash	340,784
Deferred consideration	14,040
Issuing of shares	257,877
Total consideration transferred	612,701

In May 2021, £185,001 (AUD\$337,693) was transferred to Ian Greenep in relation to the acquisition.

Reverse Acquisition of Health House Holdings Limited

On 19 March 2021 VPCL Limited (now Health House International Limited, the legal parent entity) acquired 100% of the issued share capital of Health House Holdings Limited. Health House Holdings Limited is a UK incorporated entity which is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

Under the terms of the transaction VPCL Limited issued 115,298,743 shares in the Company to the vendors of House House Holdings Limited, along with 3,458,961 shares to advisors resulting in VPCL Limited acquiring 100% of the legal parent entity's issued capital. 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. Notwithstanding that the transaction used the principles of a reverse acquisition as described in AASB 3 Business Combinations however, the transaction was not deemed a business combination on the basis that VPCL Limited did not meet the definition of a business as noted in that standard.

The Group applied, by analogy, the guidance in AASB 3 on reverse acquisitions, resulting in Health House Holdings Limited (the non-listed operating entity) being identified as the accounting acquirer and VPCL Limited (the listed non-operating entity) being identified as the accounting acquiree. As the transaction is not within scope of AASB 3, the transaction was treated as a share-based payment transaction (asset acquisition) accounted for in accordance with AASB 2 Share-based Payments.

The Group consequently recognised a share-based payment of \$1,845,000 in its statement of profit and loss and other comprehensive income, representing the cost of the listing. The cost is calculated as the difference in the fair value of the shares deemed to have been issued by Health House Holdings Limited (the non-listed entity) and the fair value of the accounting acquiree's identifiable net liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. ACQUISITIONS (CONT.)

Assets acquired and liabilities assumed:

	\$
Cash and cash equivalents	3,292,625
Trade and other receivables	212,096
Trade and other payables	(134,545)
Net Liabilities assumed	<u>3,370,176</u>
Share-based payment for reverse acquisition	<u>1,845,000</u>
Acquisition date fair value of the total consideration transferred	<u><u>5,215,176</u></u>

Net cash inflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	<u>3,292,625</u>
Net cash inflow	<u><u>3,292,625</u></u>

23. EARNINGS PER SHARE

	2021 \$	2020 \$
(a) (Loss) used in the calculation of basic and dilutive loss per share	(5,307,296)	(2,524,775)
Basic loss per Share	Number of Shares	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic loss per share:	<u>122,931,096</u>	<u>64,302,124</u>
Basic (loss) per share	(0.04)	(0.04)
Diluted loss per Share	Number of Shares	Number of Shares
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted loss per share:	<u>122,931,096</u>	<u>64,302,124</u>
Diluted (loss) per share	(0.04)	(0.04)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CASH FLOW INFORMATION

Reconciliation of net cash flow used in operating activities with profit / (loss) after income tax	2021 \$	2020 \$
(Loss) for year	(5,307,296)	(2,524,775)
Cash flows in operating (loss)/profit classified as investing activities		
Non-cash flows in operating (loss)/profit		
- Share based payments	1,845,000	-
- Finance charges	55,086	55,472
- Depreciation and amortisation	532,219	493,621
- Interest income	-	(337)
- Income tax benefit	(15,276)	(63,847)
Cash flows not in operating (loss)/profit		
Changes in assets and liabilities:		
- (Increase)/Decrease in trade and other receivables	(221,061)	(913,017)
- (Increase)/Decrease in inventory	352,519	(614,148)
- Increase/(Decrease) in trade payables and other accruals	367,731	1,628,794
Net cash used in operating activities	(2,391,078)	(1,938,237)

Change in liabilities arising from financing liabilities

	Notes	Lease liability	Loans	Total
Balance at 1 July 2019		-	-	-
Leases recognised on the adoption of AASB 16		-	-	-
Acquisition of leases / loans		219,018	422,126	641,144
Derecognition of leases		-	-	-
Repayments		(66,114)	-	(66,114)
Repayment relating to investing activities		-	-	-
Interest paid		(12,170)	-	(12,170)
Other adjustments		-	47,206	47,206
Balance at 30 June 2020		140,734	469,332	610,066
Acquisition of leases / loans		671,231	570,752	1,241,983
Repayments		(234,301)	(148,732)	(383,033)
Interest paid		24,477	6,159	30,636
Other adjustments		(9,279)	(22,417)	(31,696)
Balance at 30 June 2021		592,862	875,094	1,467,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. AUDITORS REMUNERATION

	2021	2020
	\$	\$
The auditors of the Company are PKF Littlejohn LLP (UK) / HLB Mann Judd WA Partnership (AUS)		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report – HLB Mann Judd (WA) Partnership (AUS)	30,000	-
- Auditing or reviewing the financial report – PKF Littlejohn (UK)	89,392	65,785
	119,392	65,785

26. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts. The information presented has been prepared using accounting policies as disclosed in Note 1.

	2021	2020
	\$	\$
Financial Position		
Current assets	5,177,147	1,331,560
Non-current assets	1,317,671	964,883
Total assets	6,494,818	2,296,443
Current liabilities	(317,620)	(418,353)
Non-current liabilities	(119,188)	(58,555)
Total liabilities	(436,808)	(476,908)
Net Assets	6,058,010	1,819,535
Issued capital	(19,236,538)	(9,018,924)
Reserves	4,642,487	-
Accumulated losses	8,536,041	7,199,389
	(6,058,010)	(1,819,535)
Financial Performance		
Loss for the year	(8,536,041)	(7,199,389)
Total comprehensive loss	(8,536,041)	(7,199,389)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. INTERESTS IN SUBSIDIARY

The consolidated financial statements include the financial statements of Health House International Ltd and the subsidiaries in the following table.

	Country of Incorporation	% Equity Interest	
		2021	2020
HHI (Australia) Pty Ltd	Australia	100%	-
Health House Australia Pty Ltd	Australia	100%	-
CliniCann Limited	Australia	100%	-
Health House Pharma Limited	UK	100%	-
Health House Holdings Limited	UK	100%	-
Health House Distribution UK Limited	UK	100%	-
HHP Malta (P&D Pharma) Limited	Malta	100%	-

28. RELATED PARTY INFORMATION

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

Transactions with director related entities:

Pathways Corporate Pty Ltd, a company of which Mr David Wheeler is a Director, charged the Group Rent of \$4,000 (2020: \$nil) during the year on normal commercial terms and conditions. At balance date \$1,500 (2020: \$nil) remained payable.

29. EVENTS SUBSEQUENT TO REPORTING DATE

Acquisition

On 11 May 2021, Health House International Limited announced the acquisition of 100% of the issued capital of CanPharma.

CanPharma is a Germany based pharmaceutical distribution business focussed on medicinal cannabis. CanPharma is a licenced manufacturer, pharmaceutical wholesale company and a licenced narcotic drug dealer under German legislation. CanPharma also has an office in Barcelona.

The company distributes cannabis flowers and extracts and provides expertise for testing and analysing medicinal cannabis products. It currently has a low volume of sales as set out below.

The transaction was completed on 10 August 2021.

Dr Henrik Sprengel was appointed as Executive Director and Mr David Attwood was appointed as Chief Executive Officer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EVENTS SUBSEQUENT TO REPORTING DATE (CONT.)

Consideration transferred

The key terms of the acquisition of CanPharma are set out below:

- (a) Health House International Limited will issue 11,753,061 fully paid ordinary shares to the vendors of CanPharma;
- (b) Health House International Limited will issue 36 million Performance Shares; and
- (c) Health House International Limited will issue 6,246,939 fully paid ordinary shares to settle certain debts owed by CanPharma to related parties of CanPharma.

On 20 August 2021, Health House International Limited issued 0.9 million Performance Shares and 0.45 million fully paid ordinary shares to Gemelli Nominees Pty Ltd (“Gemelli”) as an introduction fee related to the Proposed Transaction.

Performance Shares

A total of 36.9 million Performance Shares will be issued, as follows:

	Management CanPharma	Consideration Vendors of CanPharma	Introduction Fee Gemelli Nominees
Class A Performance Shares	-	12,000,000	300,000
Class B Performance Shares	6,000,000	6,000,000	300,000
Class C Performance Shares	12,000,000	-	300,000

The terms of the Performance Shares are set out below:

	Revenue Hurdle	Type of Revenue	Period of Revenue
Class A Performance Shares	€5,000,000	Cumulative	2 years
Class B Performance Shares	€10,000,000	Cumulative	2 years
Class C Performance Shares	€15,000,000	Cumulative	2 years

Based on the table above, the Performance Shares will convert to ordinary fully paid shares if CanPharma generates cumulative revenue over a 2-year period from the Completion Date. The Completion Date is the date of approval by Health House International Limited shareholders.

The Performance Shares do not have rights to any of the following:

- a) Voting rights in Health House International Limited;
- b) Dividend rights in Health House International Limited;
- c) No rights to surplus profits or assets;
- d) No right to a return of capital;
- e) The Performance Shares are non-transferrable; and
- f) No right to participate in entitlements and bonus issues.

The Performance Shares do contain a “change of control” provision which means if there is a change of control event for Health House International Limited then the milestones will be deemed to have been met and the Performance Shares will automatically convert into shares at the date of the change in control event.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. EVENTS SUBSEQUENT TO REPORTING DATE (CONT.)

The Group has recognised the fair values of the identifiable assets and liabilities of CanPharma based upon the best information available as of the reporting date.

Provisional business combination accounting is as follows:

	\$
Fair value of identifiable net assets	(4,555,505)
Unallocated purchase price	<u>8,695,505</u>
Total consideration	<u><u>4,140,000</u></u>

Net cash outflow arising on acquisition

	\$
Cash paid	-
Less: net cash acquired with the subsidiary	304,662
Net cash inflow	<u><u>304,662</u></u>

Note: a loan agreement is in place and \$1,870,752 has been provided to CanPharma subsequent to year end.

30. CONTINGENCIES

As at the 30 June 2021 the Company did not have any contingent liabilities.

DIRECTORS' DECLARATION

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 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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



David Wheeler
Chairman

Dated at Perth this 30 day of September 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Health House International Limited (formerly VPCL Limited) ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial 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 Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; 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.

Material uncertainty related to going concern

We draw attention to Note 1 (c) in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going* we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter
How our audit addressed the key audit matter

Asset Acquisition under Reverse Acquisition Principles

 Refer to Note 22

During the year, VPCL Limited (now Health House International Limited) acquired 100% of the issued capital of Health House Holdings Limited a UK entity. This transaction was enacted through the issuance of shares in VPCL Limited, such that the shareholders of Health House Holdings Limited obtained control of VPCL Limited. Accordingly, management determined that this transaction was a reverse acquisition under the principles outlined in AASB 3 *Business Combinations*.

Although the guidance of AASB 3 was used to identify the accounting acquirer and accounting acquiree, the transaction itself was not within the scope of AASB 3, with the transaction instead being identified as a share-based payment transaction and therefore accounted for under AASB 2 *Share-based Payment*. VPCL Limited does not constitute a business on AASB 3 and therefore the acquisition of VCPL Limited is an acquisition of assets.

Accounting for this transaction and the disclosure requirements are sufficiently complex, requiring assumptions and judgements in determine the fair value of the consideration paid and net assets acquired.

Our procedures included, but were not limited to the following:

- We reviewed the relevant agreements in order to gain an understanding of the key terms and conditions of the transaction;
- We reviewed management's assessment of the fair value of the gross consideration paid, and agreed the assessment to the relevant supporting information ;
- We ensured that the acquisition date assets and liabilities of VPCL Limited were fairly stated;
- We ensured that the net impact of the reverse acquisition was correctly reflected in the consolidated statement of comprehensive income; and
- We assessed the adequacy of the Group's disclosures in respect to this transaction, including the presentation of the comparative information, being that of Health House Holdings Limited (UK).

Recoverable amount of goodwill

 Refer to Note 15

The carrying amount of goodwill of \$1,365,034, recognised on acquisition of CliniCann Limited, is required to be tested for impairment annually in accordance with AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*.

It is due to size, complexity and judgement involved that this is considered a key audit matter.

Our procedures included, but were not limited to the following:

- We assessed the appropriateness of the allocated cash generating units;
 - We assessed the appropriateness of the methodology in the value in use model and the basis for key assumptions;
 - We assessed the value in use model for consistency with the requirements of Australian Accounting Standards;
 - We performed sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the value in use model;
 - We reviewed the mathematical accuracy of the model;
 - We compared the discounted cash flow value to the carrying amount of assets comprising the cash-generating unit;
 - We considered whether the assets comprising the cash-generating unit had been correctly allocated;
 - We assessed the reasonableness of forecast cash flows;
-

-
- We considered the appropriateness of the discount rate used; and
 - We assessed the adequacy of the disclosures made in the financial report.
-

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 Group's annual report for the year ended 30 June 2021, 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.

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

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

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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 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 judgement 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 with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

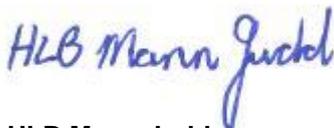
Opinion on the Remuneration Report

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

In our opinion, the Remuneration Report of Health House International Limited (formerly VPCL Limited) for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

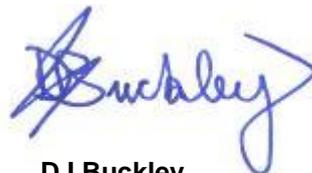
Responsibilities

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



HLB Mann Judd
Chartered Accountants

Perth, Western Australia
30 September 2021



D I Buckley
Partner

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 30 September 2021 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its *Corporate Governance Principles and Recommendations 4th Edition* (Recommendations). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices. The Board of the Company has not yet formed an audit committee and risk management committee.

The Company's Corporate Governance Policies are available on the Company's website at www.healthhouse.com.au

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Chief Executive Officer (or equivalent) is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Chief Executive Officer, any other executive directors, the Company Secretary and the Chief Financial Officer and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Chief Executive Officer to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensuring that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the

Company has adopted, and that its practice is consistent with, a number of guidelines including:

- Code of Conduct;
- Continuous Disclosure Policy;
- Diversity Policy;
- Performance Evaluation Policy;
- Procedures for Selection and Appointment of Directors;
- Remuneration Policy;
- Risk Management and Internal Compliance and Control Policy.
- Securities Trading Policy; and
- Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Chief Executive Officer responsibility for the management and operation of Health House International. The Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of Health House International within the powers authorised to him from time-to-time by the Board. The Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Health House International website.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity.

The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- | | |
|--|-----|
| • Women employees in the Company | 58% |
| • Women in senior management positions | 0% |
| • Women on the Board | 0% |

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

Given, the size of the Board, the changes to the composition of the Board in May 2021 and the current level of operations of the Company, no formal appraisal of the Board was conducted during the financial year.

The Board conducts an annual performance assessment of the Chief Executive Officer against agreed key performance indicators.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Health House International' expense.

Principle 2: Structure the board to be effective and add value**Board Composition**

During the financial year and to the date of this report the Board was comprised of the following members:

Name	Position	Length of Service
David Wheeler	Chairman	1 year and 5 months
Christopher Mews	Non-Executive Director	3 years and 3 months
Hon Michael Rann	Non-Executive Director	2 months
Dr Henrik Sprengel	Executive Director	6 months
Leanne Graham	Executive Chairperson (resigned 19 March 2021)	

The Board currently consists of one Executive and three Non-Executive Directors.

Health House International Limited has adopted a definition of 'independence' for Directors that is consistent with the Recommendations. Mr Chris Mews and Hon Michael Rann are considered to be independent directors.

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Health House International Limited. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership.

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set matrix on the mix of skills and diversity for Board membership.

The Charter of the Remuneration and Nomination Committee can be found on the Company's website at www.healthhouse.com.au

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

The Company's values can be found on the Company's website at www.healthhouse.com.au.

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

The Company has adopted a Whistleblower Protection Policy and an Anti-Bribery and Corruption Policy, both of which can be found on the Company's website at www.healthhouse.com.au. The Board is informed of any material incidents under both policies.

Principle 4: Safeguard the integrity of corporate reports

The Board as a whole fulfils the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Health House International' AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or, if none, the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Chief Executive Officer and the Company Secretary are responsible for ensuring that:

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Health House International and Health House International' securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

The Company ensures that all resolutions at a meeting of shareholders are decided by a poll rather than by a show of hands.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Health House International' business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Chief Executive Officer having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Health House International has established policies for the oversight and management of material business risks.

Health House International' Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Health House International believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Health House International is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Health House International accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Health House International' approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Health House International assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Health House International applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Health House International' material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term.

The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Health House International's management of its material business risks on at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Health House International has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Health House International operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Health House International's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Health House International.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Health House International;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Health House International shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Executive Director, Non-Executive Directors and senior management based on an annual review.

Health House International's executive remuneration policies and structures and details of remuneration paid to directors and senior managers (where appointed) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is \$500,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders. The total fees paid to Non-Executive Directors during the reporting period were \$246,000.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's Securities Trading Policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' Report. The Charter of the Remuneration and Nomination Committee can be found on the Company's website at www.healthhouse.com.au.

ASX ADDITIONAL INFORMATION

Additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 21 September 2021

Distribution of equity security holders (number of holders)

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Ordinary Shares	401	415	219	510	225	1,771
Performance Shares – Class A	-	-	-	9	15	24
Performance Shares – Class B	-	-	-	14	10	24
Performance Shares – Class C	-	-	-	-	4	4

There are 791 holders of shares holding less than a marketable parcel.

Quoted equity securities as at 21 September 2021

Equity Security	Quoted
Ordinary Shares	177,324,622

Voting rights

Ordinary shares carry one vote per share. There are no voting rights attached to the options in the Company.

Unquoted Securities as at 21 September 2021

The number of unquoted securities on issue as at 21 September 2021:

Unquoted Securities	Number on Issue	Vesting conditions
Performance Shares – Class A ¹	12,300,000	Converted into shares subject to CanPharma achieving cumulative revenues of €5,000,000 over 24 months from the date of Completion
Performance Shares – Class B ²	12,300,000	Converted into shares subject to CanPharma achieving cumulative revenues of €10,000,000 over 24 months from the date of Completion
Performance Shares – Class C ³	12,300,000	Converted into shares subject to CanPharma achieving cumulative revenues of €15,000,000 over 24 months from the date of Completion

Persons holding more than 20% of a given class of unquoted securities as at 21 September 2021:

- 32% held by Henrik Sprengel
- 35% held by Henrik Sprengel, 24% held by David Attwood
- 39% held by Henrik Sprengel, 39% held by David Attwood

Restricted equity securities as at 21 September 2021

The Company has the follow securities under ASX restricted escrow:

- 5,740,255 Fully paid ordinary shares escrowed until 9 October 2021
- 69,967,855 Fully paid ordinary shares escrowed until 19 March 2022;
- 5,562,900 Fully paid ordinary shares escrowed until 10 August 2022
- 24,007,838 Fully paid ordinary shares escrowed until 16 April 2023
- 12,887,100 Fully paid ordinary shares escrowed until 24 April 2023
- 4,850,160 Class A Performance Shares escrowed until 10 August 2022
- 7,449,840 Class A Performance Shares escrowed until 24 April 2023

- 2,425,080 Class B Performance Shares escrowed until 10 August 2022
- 9,874,920 Class B Performance Shares escrowed until 24 April 2023
- 12,300,000 Class C Performance Shares escrowed until 24 April 2023

Substantial shareholders as at 21 September 2021

The Company has been notified of the following substantial shareholdings:

Mr Jason Peterson	17,336,651
New Frontier Pty Ltd	11,161,239
Gemelli Nominees Pty Ltd	10,558,085

Twenty largest holders of quoted shares as at 21 September 2021

	<u>Name</u>	<u>No. of Shares</u>	<u>%</u>
1	CITYSCAPE ASSET PTY LTD <CITYSCAPE FAMILY A/C>	13,459,365	7.59
2	NEW FRONTIER PTY LTD	11,161,239	6.29
3	GEMELLI NOMINEES PTY LTD <GEMELLI FAMILY A/C>	10,558,085	5.95
4	HENRIK SPRENGEL	5,816,250	3.28
5	PATHWAYS CORP INVESTMENTS PTY LTD <THE PC INVESTMENTS ACCOUNT>	4,885,929	2.76
6	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	4,000,000	2.26
7	PEKSE PTY LTD <THE PEKSE A/C>	2,663,032	1.50
8	KERYN LEE REYNOLDS	2,663,032	1.50
8	DOZEMEI PTY LTD <LA REPUBBLICA VENEXIANA A/C>	2,500,000	1.41
8	GOLDNEY PTY LTD <BLACKMAN MUTUAL A/C>	2,141,622	1.21
8	MR JOHN MURPHY	2,000,000	1.13
8	TISIA NOMINEES PTY LTD <HENDERSON FAMILY A/C>	1,901,754	1.07
13	STEFAN JACKER	1,797,030	1.01
14	SILVER BIRCH CAPITAL CORPORATION	1,762,301	0.99
15	HOLGER SPRENGEL	1,712,340	0.97
16	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF>	1,650,000	0.93
17	DAVID ATTWOOD	1,608,660	0.91
18	KURT SPRENGEL	1,502,820	0.85
18	MR JOSHUA MURPHY	1,500,000	0.85
20	MR JACOB KAI MURPHY	1,500,000	0.85
	TOTAL	76,783,459	43

Stock Exchange

The Company is listed on the Australian Securities Exchange and has been allocated the code "HHI". The "Home Exchange" is Perth.

Other information

Health House International Limited, is incorporated and domiciled in Australia, and is a publicly listed company limited by shares.

On-market buy-back

There is no current on-market buy-back.