



Health House International Limited and Controlled Entities

Appendix 4E

Preliminary Final Report

Year ended 30 June 2022

Name of entity

Health House International Limited and Controlled Entities

Year ended

ABN or equivalent company reference

ABN 65 149 197 651

30 June 2022

(Previous corresponding period: 30 June 2021)

Results for announcement to the market

\$

Revenue for ordinary activities	Up	85.2%	to	15,644,524
Net loss attributable to members	Down	203.2%	to	(16,312,420)
Net loss after tax (from ordinary activities) for the period attributable to members	Down	219.5%	to	(16,958,770)

Net tangible assets per security

30 June 2022 30 June 2021
Cents Cents

Net tangible asset backing (per share) (0.04) 0.03

• Net Tangible Assets (NTA) means the total assets of a business, less any intangible asset such as goodwill, patents, and trademarks, less all liabilities.

Distributions

No dividends have been paid or declared by the Company for the current financial year. No dividends were paid for the previous financial year.

Brief explanation of any of the figures reported above

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

The Group is a fully licenced and regulated specialised importer, exporter and distributor currently distributing medicinal cannabis products from 14 producers to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. In the UK and Germany, the Group holds all relevant licences (including GMP manufacturing), Wholesale Dealers and Controlled Drugs licences the Company supplies pharmacies, hospitals, government departments and other wholesalers with medicinal cannabis and general pharmaceutical products in the UK and Europe. The Group also integrates education of patients and healthcare professionals in the use of medicinal cannabis as a core part of its activities and is developing digital tools to enable a holistic understanding of usage.

Overview of results

For the year ended 30 June 2022 ("FY2022"), revenue increased by \$7,194,960 to \$15,644,524 or 85.2% when compared with the year ended 30 June 2021 ("FY2021") on a year-on-year basis.

On the other hand, net result changed from a net loss of \$5,307,296 in FY2021 to a net loss of \$16,958,770 in FY2022.

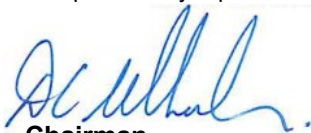
Financial Position

The net assets of the consolidated company decreased by \$11,469,720 from \$6,790,429 at 30 June 2021 to (\$4,679,291) at 30 June 2022. This change relates to a combination of the following factors:

- loss after tax attributable to members of \$16,958,770, which includes a goodwill impairment of \$8,779,251
- Share based payment expense of \$1,027,259

Audit Status

The preliminary report is based on financial statements that are in the process of being audited.



Chairman

David Wheeler

31 August 2022

Health House International Limited and Controlled Entities

ABN 65 149 197 651

**Preliminary Final Report For The Year Ended
30 June 2022**

Review of operations and activities

Operating results

The consolidated loss of the group after providing for income tax attributable to owners of the parent entity amounted to \$16,958,770 (2021: \$5,307,296).

Significant events

In February 2022, Health House entered into a binding term sheet with Zelira Therapeutics Limited (ASX: ZLD) ('Zelira'), under which it was proposed that Zelira would acquire 100% of the shares in Health House by way of a Scheme of Arrangement to be undertaken by Health House (the 'Scheme'). The Scheme would be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth). To assist Health House with its short-term working capital requirements, Zelira provided a \$1.5 million short-term loan facility to Health House.

On 22 June 2022, Health House International and Zelira Therapeutics agreed to terminate the scheme of arrangement announced on 23 February 2022. As a result of this termination, Health House made an immediate payment of \$50,000 to Zelira and agreed to repay Zelira the \$1.5 million working capital facility loan pursuant to the terms of the Zelira working capital facility loan agreement. 3,289,946 unquoted options exercisable at \$0.01 were also Issued on 28 June 2022 under the terms of the Zelira short-term loan facility following the termination of the Scheme of Arrangement.

Dividends Paid or Recommended

The Directors have recommended that no dividend be paid by the Company in respect of the financial year ended 30 June 2022.

After Balance Date Events

The following occurred after the Balance Date:

On 29 July 2022, Health House entered into a non-binding term sheet with Creso Pharma Limited (ASX: CPH) (Creso), under which it is proposed that Creso will acquire 100% of the shares in Health House by way of a scheme of arrangement to be undertaken by Health House (Scheme). The Scheme will be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

The proposed transaction is subject to the Creso completing satisfactory due diligence on Health House's businesses and the satisfaction of a number of other conditions standard for transactions of this nature.

Under the Scheme, Creso will issue approximately one (1) Creso share for every two (2) Health House shares held (subject to further negotiations and potential adjustments based on Health Houses debt levels) giving Health House shareholders an approximately 7.3% interest in the expanded capital of Creso, valuing Health House at \$4,630,388 based on Creso's share price on 29 July 2022 and representing a 67% premium to Health House's market capitalisation based on the closing price of Health House shares prior to Health House's voluntary suspension. In addition, Health House shareholders will also receive one free option (exercise price \$0.08; expiring 4 years from issue date). Creso is currently undertaking due diligence in order to establish whether an acceptable binding transaction can be agreed.

Health House remains in voluntary suspension pending the release of a material capital raising announcement.

Consolidated statement of comprehensive income
For the year ended 30 June 2022

		2022	2021
	NOTE	\$	\$
Revenue from continuing operations			
Revenue	1	15,644,524	8,449,564
Interest revenue	1	3,667	3,031
Other revenue	1	201,818	53,828
Expenses			
Cost of Sales		(12,496,466)	(6,680,531)
Administration	1	(9,611,618)	(4,599,322)
Directors' fees		(219,400)	(116,837)
Depreciation and amortisation expense		(589,384)	(532,219)
Finance costs		(133,200)	(55,086)
Impairment		(8,779,251)	-
Share based payment		(1,027,259)	(1,845,000)
(Loss) from continuing operations before income tax expense		(17,006,569)	(5,322,572)
Income tax benefit		47,799	15,276
Net (Loss) after income tax		(16,958,770)	(5,307,296)
Other comprehensive income			
Foreign currency recognised on conversion		646,350	(73,310)
Total Comprehensive (Loss) for the Year		(16,312,420)	(5,380,606)
(Loss) per share, attributable to the owners			
Basic and diluted (loss) per share		(0.09)	(0.04)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position
As at 30 June 2022

	NOTE	2022 \$	2021 \$
CURRENT ASSETS			
Cash and cash equivalents		990,715	5,224,961
Trade and other receivables	2	1,755,229	1,314,329
Inventory		761,405	297,985
TOTAL CURRENT ASSETS		3,507,349	6,837,275
NON-CURRENT ASSETS			
Property, plant and equipment		545,847	720,010
Financial assets at amortised cost		222,138	250,974
Investments		125,000	125,000
Intangible assets		1,839,900	2,050,588
TOTAL NON-CURRENT ASSETS		2,732,885	3,146,572
TOTAL ASSETS		6,240,234	9,983,847
CURRENT LIABILITIES			
Trade and other payables	4	5,220,702	1,607,646
Lease liabilities		138,854	181,030
Borrowings	3	4,641,878	493,031
TOTAL CURRENT LIABILITIES		10,001,434	2,281,707
NON-CURRENT LIABILITIES			
Lease liabilities		293,786	411,832
Borrowings	3	557,803	382,063
Deferred Tax Liability		66,502	117,816
TOTAL NON-CURRENT LIABILITIES		918,091	911,711
TOTAL LIABILITIES		10,919,525	3,193,418
NET ASSETS / (LIABILITIES)		(4,679,291)	6,790,429
EQUITY			
Share capital	6	21,464,938	19,236,538
Translation reserve		674,799	28,449
Other reserves		(2,028,187)	(4,642,487)
Accumulated losses		(24,790,841)	(7,832,071)
TOTAL EQUITY / (DEFICIENCY)		(4,679,291)	6,790,429

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

Consolidated statement of changes in equity
For the year ended 30 June 2022

	Issued Capital	Accumulated Losses	Foreign Currency Reserve	Other Reserves	Total
	\$	\$	\$	\$	\$
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 income	-	-	(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
Balance as at 1 July 2021	19,236,538	(7,832,071)	28,449	(4,642,487)	6,790,429
Adjustment on initial application of new accounting standards					
Loss for the year		(16,958,770)			(16,958,770)
Other comprehensive loss			646,350		646,350
Total comprehensive loss for the year		(16,958,770)	646,350		(16,312,420)
18,000,000 Ordinary Shares issued on the acquisition of CanPharma	2,070,000				2,070,000
Shares issued for consultancy services	68,400				68,400
Shares issued for introduction fees	90,000				90,000
Issue of options for employment services				43,309	43,309
Issue of 12,000,000 Class A performance shares to CanPharma vendors as part of the acquisition				1,242,000	1,242,000
Issue of 6,000,000 Class B performance shares to CanPharma vendors as part of the acquisition				345,000	345,000
Performance shares issued for employment incentives and introduction fees				964,677	964,677
Issue of options to Zelira				19,314	19,314
Balance at 30 June 2022	21,464,938	(24,790,841)	674,799	(2,028,187)	(4,679,291)

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

Consolidated Statement of Cash flows
For the year ended 30 June 2022

	NOTE	2022	2021
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		15,219,277	9,220,642
Payments to suppliers and employees		(18,914,545)	(11,627,461)
Interest received		589	353
Interest paid		(98,039)	(39,614)
CanPharma Acquisition costs		(362,893)	-
Other income		75,945	55,002
<i>Net cash used in operating activities</i>		<u>(4,079,666)</u>	<u>(2,391,078)</u>
Cash Flows from Investing Activities			
Loans to CanPharma prior to completion of the acquisition		(484,221)	-
Cash acquired as part of CanPharma acquisition		305,588	-
Purchase of property, plant and equipment		(1,048)	-
Cash balance of subsidiary acquired		-	2,951,841
Proceeds from disposal of property, plant and equipment		3,467	-
Proceeds from the disposal of investments		7,809	-
Purchase of other non-current assets		(59,244)	(80,989)
Purchase of intangible assets		(351)	(2,053)
<i>Net cash from investing activities</i>		<u>(228,000)</u>	<u>2,868,799</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	928,953
Proceeds from issue of shares under prospectus		-	3,500,000
Issue costs associated with issue of shares		-	(392,029)
Proceeds from loans		1,803,654	570,752
Payments under financing arrangements		(1,514,588)	(148,732)
Payments of lease liabilities		(193,529)	(234,301)
<i>Net cash from financing activities</i>		<u>95,537</u>	<u>4,263,768</u>
Net increase in cash and cash equivalents		(4,212,129)	4,741,489
Effect of exchange rate fluctuations on cash held		(22,117)	(11,452)
Cash and cash equivalents at beginning of financial year		5,224,961	494,924
Cash and cash equivalents at end of financial year		<u>990,715</u>	<u>5,224,961</u>

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

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1 Revenue and expenses

(a) Revenue

	2022	2021
	\$	\$
Sale of goods	<u>15,644,524</u>	<u>8,449,564</u>

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.

(b) Other income and expenses

	2022	2021
	\$	\$
(a) Revenue		
Interest revenue	3,667	3,031
Other revenue:		
Sponsorship income	-	-
Government grants	<u>201,818</u>	<u>53,828</u>
	<u>205,485</u>	<u>53,828</u>

(b) Expenses

Cost of sales:		
- Direct costs	12,458,980	6,611,065
- Registrations	28,203	64,470
- Commissions payable	<u>9,283</u>	<u>4,996</u>
	<u>12,496,466</u>	<u>6,680,531</u>
Administration expenses:		
- Salaries and other employee costs	3,918,468	2,482,743
- Audit and accountancy fees	514,325	286,238
- Legal and professional fees	1,084,258	111,380
- Consulting fees	695,966	649,541
- Reconciliation and acquisition	11,610	304,752
- Other administration expenses	<u>3,386,991</u>	<u>764,668</u>
	<u>9,611,618</u>	<u>4,599,322</u>

2 Trade and other receivables

	2022	2021
Current	\$	\$
Trade and other receivables	1,120,421	624,110
GST / VAT receivable	139,681	156,011
Prepayments	147,116	394,880
Other	348,011	139,328
	<u>1,755,229</u>	<u>1,314,329</u>

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.

3 Borrowings

	2022	2021
	\$	\$
Current (unsecured)		
Bank overdraft	-	-
Bank and other loans	4,550,535	493,031
	<u>4,550,535</u>	<u>493,031</u>
Non-current (secured)		
Bank overdraft	-	-
Bank and other loans	649,146	382,063
	<u>649,146</u>	<u>382,063</u>

4 Trade and other payables

	2022	2021
Current (unsecured)	\$	\$
Trade payables	3,948,423	1,236,139
Other Creditors	917,308	68,195
Accruals	137,988	195,189
Employee related payables	216,983	108,123
	<u>5,220,702</u>	<u>1,607,646</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.

5 Controlled entities

Transactions with subsidiary:

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

	Country of Incorporation	% Equity Interest	
		2022	2021
HHI (Australia) Pty Ltd	Australia	100%	100%
Health House Australia Pty Ltd	Australia	100%	100%
CliniCann Limited	Australia	100%	100%
Health House Pharma Limited	UK	100%	100%
Health House Holdings Limited	UK	100%	100%
Health House Distribution UK Limited	UK	100%	100%
HHP Malta (P&D Pharma) Limited	Malta	100%	100%
THCinol/CBDinol CanPharma GmbH	Germany	100%	
Kalapa Deutschland GmbH	Germany	100%	
Kalapa Clinic S.L.	Spain	100%	

6 Issued Capital

		2022 \$	2021 \$	
		21,464,938	19,236,538	
	Year to 30 June 2022 No.	Year to 30 June 2021 No.	Year to 30 June 2022 \$	Year to 30 June 2021 \$
<i>Movements in ordinary shares on issue</i>				
At start of period	158,874,626	101,698,310	19,236,538	8,885,038
Share issued on incorporation		-		-
Ordinary shares issued for cash		13,600,433		2,028,353
Ordinary shares issued in exchange for shares in CliniCann		-		-
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)
Ordinary Shares issued on the acquisition of CanPharma	18,000,000		2,070,000	
Ordinary Shares issued for consultancy services	899,999		68,400	
Ordinary Shares issued for introduction fees	450,000	-	90,000	-
At end of period	178,224,621	158,874,626	21,464,938	19,236,538

7 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 \$16,958,770 (2021: \$5,307,296) and had operating cash outflows of \$4,079,666 for the year ended 30 June 2022 (2021: \$2,391,078). As at 30 June 2022, the Group's held cash and cash equivalents of \$974,080 (2021: \$5,224,961). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

On 29 July 2022, the Company announced it had received a non-binding indicative proposal from Creso Pharma Limited ("Creso") to acquire 100% of the issued capital in Health House via a scheme of arrangement ("Scheme"). The ability of the entity to continue as a going concern is dependent on Health House continuing to grow revenue through increasing its distribution range as the market matures within Australia, the UK maintaining its supply to the National Health Service in the United Kingdom and continuing to secure supply contracts with the Malta government, Germany successfully implementing the proposed cost reduction strategy, securing funding from Creso as it progresses through the Scheme 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.

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 and reduce costs within the CanPharma operations;
- whether the Company will be able to secure funding via Creso;
- 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.

8 Events subsequent to reporting date

On 29 July 2022, Health House entered into a non-binding term sheet with Creso Pharma Limited (ASX: CPH) (Creso), under which it is proposed that Creso will acquire 100% of the shares in Health House by way of a scheme of arrangement to be undertaken by Health House (Scheme). The Scheme will be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

The proposed transaction is subject to the Creso completing satisfactory due diligence on Health House's businesses and the satisfaction of a number of other conditions standard for transactions of this nature.

Under the Scheme, Creso will issue approximately one (1) Creso share for every two (2) Health House shares held (subject to further negotiations and potential adjustments based on Health House's debt levels) giving Health House shareholders an approximately 7.3% interest in the expanded capital of Creso, valuing Health House at \$4,630,388 based on Creso's share price on 29 July 2022 and representing a 67% premium to Health House's market capitalisation based on the closing price of Health House shares prior to Health House's voluntary suspension. In addition, Health House shareholders will also receive one free option (exercise price \$0.08; expiring 4 years from issue date). Creso is currently undertaking due diligence in order to establish whether an acceptable binding transaction can be agreed.

Health House remains in voluntary suspension pending the release of a material capital raising announcement.