

Company registration number: 11625145

**HEALTH HOUSE HOLDINGS LIMITED**

**Annual report and financial statements  
For the year ended 30 June 2020**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

Robert Hyman Beenstock  
Michael David Rann  
David Colin Wheeler  
Paul Mavor (resigned on 4<sup>th</sup> September 2019)  
Antony Michael Samios (appointed on 4<sup>th</sup> September 2019, resigned on 24<sup>th</sup> March 2020)  
Jason William Gould Peterson (appointed on 16<sup>th</sup> January 2020)  
Baroness Simone Jari Finn (appointed on 17<sup>th</sup> April 2020)  
Rakesh Uppal (appointed on 17<sup>th</sup> April 2020)

**COMPANY NUMBER** 11625145

**REGISTERED OFFICE** Memery Crystal LLP  
165 Fleet Street  
London  
EC4A 2DY

**AUDITOR** PKF Littlejohn LLP  
15 Westferry Circus, Canary Wharf  
London, United Kingdom  
E14 4HD

## DIRECTORS' REPORT

### General information

The Directors present their Annual Report and the audited consolidated financial statements for the Group and Company for the year ended 30 June 2020.

The Company is registered in England where its head office is located. The Company's operations are based in the United Kingdom and Australia, where the trading subsidiaries Health House Pharma Limited and CliniCann Ltd are respectively located. CliniCann Ltd owns 100% of an Australian subsidiary called Health House Holdings Limited, which in turn owns 100% of Health House International Pty Ltd. The Company was dormant in the period to 30 June 2019 and, in addition to its trading subsidiaries, owns 100% of a UK subsidiary, Health House Development UK Limited, which remains dormant.

### Principal activities

Health House Holdings Limited is a holding company of operations in the pharmaceutical wholesale and distribution sectors. It has two operating subsidiaries:

- Health House Pharma Limited, an international pharmaceutical distribution business in the UK; and
- Health House International Pty Limited, a medicinal cannabis distribution business in Australia.

### Results and dividends

The loss for the year, after taxation, amounted to £1,339,924 (2019: £Nil).

The Directors do not propose a dividend in respect of the year ended 30 June 2020.

### Directors

The Board is responsible for the Group's objectives and business strategy and its overall supervision. Acquisition, divestment and other strategic decisions will all be considered and determined by the Board including, when circumstances permit, whether the payment of dividends, issue or buy back of shares is appropriate.

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Robert Hyman Beenstock

Michael David Rann

David Colin Wheeler

Paul Mavor (resigned on 4<sup>th</sup> September 2019)

Antony Michael Samios (appointed on 4<sup>th</sup> September 2019, resigned on 24<sup>th</sup> March 2020)

Jason William Gould Peterson (appointed on 16<sup>th</sup> January 2020)

Rakesh Uppal (appointed on 17<sup>th</sup> April 2020)

Baroness Simone Jari Finn (appointed on 17<sup>th</sup> April 2020)

### Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- So far as that Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and
- That Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

**DIRECTORS' REPORT**

**Post balance sheet events**

On 1 September 2020, 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 £325,001. See note 32 for further details.

On 7 October, the Company completed a fundraising whereby the Company raised a gross amount of £536,500 from new and existing investors.

**COVID-19 Assessment**

The impact of the Covid-19 virus has clearly, and is continuing to, put businesses across the world under severe pressure both operationally and financially. Early on in the pandemic, the Board recognised the need to proactively manage the potential impact by continually monitoring risks to the business and ensuring that cost control measures were identified and enacted.

As such, whilst there is no certainty as to the length of time that the pandemic will be ongoing, the Board are of the view that by acting swiftly, the business is in a strong position to maintain its current trading and continue to grow whilst at the same time continuing to monitor and adapt as required during the ongoing global situation.

**Auditors**

The auditors, PKF Littlejohn LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**Status of this Directors report**

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 14 October 2020 and signed on its behalf.



.....  
David Wheeler

**Chief Executive Officer**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the financial statements of Health House Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2020 and of the group's and parent company' loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

## INDEPENDENT AUDITOR'S REPORT

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability 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 the parent company or to cease operations, or have no realistic alternative but to do so.


### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs (UK) 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 these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Mark Ling (Senior Statutory Auditor)**

**For and on behalf of PKF Littlejohn LLP**

**Statutory Auditor**

15 Westferry Circus

Canary Wharf

London E14 4HD

14 October 2020



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

		Year ended 30 June 2020	Period ended 30 June 2019
	Note	£	£
Revenue	4	3,181,030	-
Cost of sales	6	(2,466,971)	-
<b>Gross profit</b>		<u>714,059</u>	<u>-</u>
Administrative expenses		(2,057,113)	-
Other income	5	31,717	-
<b>Operating loss</b>	6	<u>(1,311,337)</u>	<u>-</u>
Finance income		337	-
Finance costs		(28,924)	-
<b>Loss before taxation</b>		<u>(1,339,924)</u>	<u>-</u>
Taxation	11	-	-
<b>Loss after taxation</b>		<u>(1,339,924)</u>	<u>-</u>
Other comprehensive income		8,170	-
<b>Total comprehensive income for the period</b>		<u><u>(1,331,754)</u></u>	<u><u>-</u></u>

All results in the current financial year derive from continuing operations.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

	Note	As at 30 June 2020 £	As at 30 June 2019 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	1,008,570	-
Property, plant and equipment	16	61,208	-
		<u>1,069,778</u>	<u>-</u>
<b>Current assets</b>			
Inventory	17	358,466	-
Trade and other receivables	18	602,457	-
Financial assets at amortised cost	19	136,452	-
Cash and cash equivalents	20	272,733	-
		<u>1,370,108</u>	<u>-</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	22	17,388	-
Borrowings	24	6,878	-
Trade and other payables	21	50,000	-
		<u>74,266</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	21	1,091,543	-
Lease liabilities	22	16,176	-
Borrowings	24	251,753	-
		<u>1,359,472</u>	<u>-</u>
<b>Net assets</b>			
		<u>1,006,148</u>	<u>-</u>
<b>Equity</b>			
Share capital	26	1,016,983	-
Share premium	27	3,879,210	-
Other reserves	28	(2,558,291)	-
Translation reserve	28	8,170	-
Retained earnings	28	(1,339,924)	-
		<u>1,006,148</u>	<u>-</u>
<b>Total shareholder equity</b>			
		<u>1,006,148</u>	<u>-</u>

The Group financial statements were approved by the board of directors and authorised for issue on 14 October 2020 and are signed on its behalf by:



.....  
David Wheeler

**Chief Executive Officer**

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the year ended 30 June 2020

	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Total
	£	£	£	£	£	£
<b>Incorporated on 16 October 2018</b>	-	-	-	-	-	-
Comprehensive income:						
Loss for the year	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
Issue of share capital	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	-	-	-	-	-	-
Comprehensive income:						
Loss for the year	-	-	-	-	(1,339,924)	(1,339,924)
Other comprehensive income for the year	-	-	-	8,170	-	8,170
Total comprehensive income for the year	-	-	-	8,170	(1,339,924)	(1,331,754)
Issue of share capital	1,016,983	3,879,210	-	-	-	4,896,193
Consolidation adjustment	-	-	(2,558,291)	-	-	(2,558,291)
<b>Balance at 30 June 2020</b>	<b>1,016,983</b>	<b>3,879,210</b>	<b>(2,558,291)</b>	<b>8,170</b>	<b>(1,339,924)</b>	<b>1,006,148</b>

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### For the year ended 30 June 2020

	Note	Year ended 30 June 2020 £	Period ended 30 June 2019 £
<b>Cash flows from operating activities</b>			
Cash used in operations	29	(1,031,218)	-
<b>Net cash outflow from operating activities</b>		<b>(1,031,218)</b>	<b>-</b>
<b>Cash flows from investing activities</b>			
Purchase of bonds		(136,115)	-
Cash balance of subsidiary acquired		312,611	-
Purchase of tangible assets		(2,200)	-
Purchase of intangible assets		(40,869)	-
Purchase of P&D trade and assets		(370,000)	-
<b>Net cash used in investing activities</b>		<b>(236,573)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital		1,342,941	-
Proceeds from loans		224,588	-
Payments under finance lease		(35,175)	-
		<b>1,532,354</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>264,563</b>	<b>-</b>
Cash and cash equivalents at the beginning of the financial year		-	-
Exchange differences		8,170	-
Cash and cash equivalents at end of year	20	<b>272,733</b>	<b>-</b>

Material non-cash transactions during the year ended 30 June 2020 was the acquisition of subsidiary via share for share exchange. Refer to note 1 for further detail.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2020**

	Note	As at 30 June 2020 £	As at 30 June 2019 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	12	3,553,252	1
Intangible assets	13	38,767	-
		<u>3,592,019</u>	<u>1</u>
<b>Current assets</b>			
Trade and other receivables	18	692,189	-
Cash and cash equivalents	20	30,687	-
		<u>722,876</u>	<u>-</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	24	6,878	-
		<u>6,878</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	21	196,183	1
Borrowings	24	12,507	-
		<u>208,690</u>	<u>1</u>
<b>Net assets</b>		<u>4,099,327</u>	<u>-</u>
<b>Equity</b>			
Share capital	26	1,016,983	-
Share premium	27	3,879,210	-
Retained earnings	28	(796,866)	-
<b>Total shareholder equity</b>		<u>4,099,327</u>	<u>-</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own total comprehensive income and related notes. The Company's total comprehensive loss for the year was £796,866 (2019: £Nil).

The Company financial statements were approved by the board of directors and authorised for issue on 14 October 2020 and are signed on its behalf by:



.....  
David Wheeler

**Chief Executive Officer**

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2020**

	Note	Share capital £	Share premium £	Retained earnings £	Total £
<b>Incorporated on 16 October 2018</b>		-	-	-	-
Comprehensive income:					
Loss for the year		-	-	-	-
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Issue of share capital		-	-	-	-
<b>Balance at 30 June 2019</b>		-	-	-	-
Comprehensive income:					
Loss for the year		-	-	(796,866)	(796,866)
Other comprehensive (loss) for the year		-	-	-	-
Total comprehensive (loss) for the year		-	-	(796,866)	(796,866)
Issue of ordinary shares as consideration for a business combination	26,27	1,106,983	3,879,210	-	4,896,193
<b>Balance at 30 June 2020</b>		<u>1,016,983</u>	<u>3,879,210</u>	<u>(796,866)</u>	<u>4,099,327</u>

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

**COMPANY STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2020**

	Note	Year ended 30 June 2020 £	Period ended 30 June 2019 £
<b>Cash flows from operating activities</b>			
Cash used in operations	29	(1,269,834)	1
Interest received		16	-
Interest paid		(1,564)	-
<b>Net cash outflow from operating activities</b>		<u><b>(1,271,382)</b></u>	<u><b>1</b></u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(40,872)	-
Payment for acquisition of subsidiary		-	(1)
		<u><b>(40,872)</b></u>	<u><b>(1)</b></u>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		1,342,941	-
		<u><b>1,342,941</b></u>	<u><b>-</b></u>
<b>Net increase in cash and cash equivalents</b>		<u><b>30,687</b></u>	<u><b>-</b></u>
Cash and cash equivalents at the beginning of the financial year		-	-
Cash and cash equivalents at end of year		<u><u><b>30,687</b></u></u>	<u><u><b>-</b></u></u>

Material non-cash transactions during the year ended 30 June 2020 was the acquisition of subsidiary via share for share exchange. Refer to note 1 for further detail.

The accounting policies and notes on pages 16 to 39 form part of the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****1. General information**

Health House Holdings Limited (“the Company”) is a company incorporated in the United Kingdom under the Companies Act 2016. The Company is a private company limited by shares and is registered in England and Wales. The address of the Group and Company’s registered office is shown on page 3.

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two-step transaction, which took place on the 4th November and 20th November 2019. 87,438,509 of Company’s shares were exchanged for the entire share capital of CliniCann Ltd, at an average value of A\$0.076 per share.

During the year ended 30 June 2020, on 5 September 2019, Health House Pharma acquired the trade and assets of P&D Pharmaceuticals Limited.

The principal activities of Health House Holdings Limited and its Subsidiaries (together, “the Group”) and the nature of the Group’s operations are set out in the Directors’ Report on pages 4 to 5.

**2. New and amended IFRS standards**

These are the first financial statements of the Group and Company prepared in accordance with International Financial Reporting Standards. The Group and Company has therefore adopted all recognition, measurement and disclosure requirements of IFRS, in effect for annual periods commencing on or after 1 July 2019.

*Standards which are in issue but not yet effective*

The following relevant new standards and amendments to standards and interpretations have been issued, but are not effective for the financial year beginning on 1 July 2019, as adopted by the European Union, and have not been early adopted:

<b>Standard</b>	<b>Key requirements</b>	<b>Effective date as adopted by the EU</b>
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.	1 January 2020

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group or the Company in future periods, except with regards to disclosure purposes.

**3. Significant accounting policies****Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historic cost convention and in accordance with International Financial Reporting Standards, (IFRS’s) and IFRS Interpretation Committee interpretation (IFRS IC) as adopted by the European Union and with the Companies Act 2006 applicable to companies reporting under IFRS. The comparative information shows information for a shortened period of 8 months from 18 October 2018 to 30 June 2019.

**Going concern**

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



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### Going concern (continued)

Notwithstanding the fact that the Group incurred an operating loss of £1,339,924 for the year ended 30 June 2020 and a net cash outflow from operating activities amounting to £1,031,218, the financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

In making their assessment as to the going concern assumption, the Directors have taken into consideration its available cash reserve and the Group's commitments for the foreseeable future. The Directors have also considered the effect of the ongoing worldwide pandemic of Covid19 on the Group and Company's financial position and believe that it has implemented sufficient risk mitigation strategies to limit the effect of Covid19 on the Group and Company's operations.

The Directors have reviewed projections for a period of at least 12 months from the date of approval of the Financial Statements. The Group is currently loss making, but significant cash resources were raised during the period to finance its activities and acquisitions.

After considering the uncertainties described above, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence over the twelve months from the date of approval of these financial statements. For these reasons they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Directors, therefore, consider it appropriate to continue to prepare the financial statements on a going concern basis.

#### Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidated of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

The group consists of Health House Holdings Limited and its wholly owned subsidiaries Health House Pharma Limited, Health House Development UK Limited, a dormant company, and CliniCann Ltd. CliniCann owns 100% of the share capital of Health House Holding Ltd, which in turn holds 100% share capital of Health House International Pty Ltd.

In the parent company financial statements, investments in subsidiaries are accounted for at cost less impairment.

In the consolidated financial statements, subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. Accordingly, the consolidated statement of comprehensive income and statement of cashflows include the results and cash flows of CliniCann Ltd for the period from its acquisition on 4<sup>th</sup> November.

All intra-group transactions, balances and unrealised gains or transactions between group companies are eliminated on consolidation.

#### 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 FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### Government grants

Government grants are recognised as income when there is reasonable assurance that the Company has complied with the conditions attached to them and the grant income is receivable.

The grant income is treated as other operating income in the Statement of Comprehensive Income.

#### Foreign currency

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates. For the purpose of the consolidated financial statements, the results and financial position of the Group is presented in Pound Sterling.

The functional currencies of some of the Company's subsidiaries differ from the consolidated Group Pound Sterling presentation currency. As a result, the assets and liabilities of these subsidiaries are translated on consolidation at the rates of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average rate of exchange for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### *Current tax*

Current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

##### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### Intangible fixed assets

##### *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*

Customer contracts were acquired as part of a business combination (see note 14 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.

#### Impairment of assets

An impairment test is performed at each balance sheet or whenever events and circumstances, arising during its use, indicate that the carrying value of the asset may exceed its recoverable amount.

The carrying value is compared against the expected recoverable amount of the asset, generally to the present value of the right to use the building over its remaining lease life. Any impairment identified is charged to the income statement.

#### Inventory

Inventory is stated at the lower of cost and net realisable value on a first-in, first-out basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group or Company has become a party to the contractual priorities of the instrument. Financial instruments are classified into specified categories dependent upon the nature and purpose of the instruments and are determined at the time of initial recognition. All financial assets are recognised as loans, receivables and cash and all financial liabilities are recognised as other financial liabilities.

IFRS 9 requires the classification of financial assets to be determined by a contractual cash flows test referred to as “Solely payment of principal and interest” (SPPI) and a business model test. Financial assets that fail the SPPI test will be measured at Fair value through the income statement. For assets passing the SPPI test, a business model test assesses the objective of holding the asset. The business model test for financial assets can be summarised as follows:

- Financial assets will be measured at amortised cost if they are held within a business model where the objective is to hold financial assets in order to collect contractual cash flows (“Hold to collect” business model).
- Financial assets will be measured at fair value through other comprehensive income if they are held within a business model where the objective is achieved by both collecting contractual cash flows and selling financial assets (“Hold to collect and sell” business model).
- Financial assets will be measured at fair value through the income statement if they do not meet the business model criteria of either “Hold to collect” or “Hold to collect and sell”.

Entities also have the option to designate a financial asset as measured at fair value through the income statement if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch).

Financial assets and financial liabilities are recognised on the statement of financial position when the Company has become a party to the contractual priorities of the instrument.

#### *Impairment*

IFRS 9 introduces a new impairment model that requires the recognition of expected credit losses on all financial assets at amortised cost or at fair value through other comprehensive income (other than equity instruments), lease receivables and certain loan commitments and financial guarantee contracts. The expected credit loss must also consider forward looking information to recognise impairment allowances earlier in the lifecycle of a product. IFRS 9 consequently is likely to increase the volatility of impairment allowances as the economic outlook changes, although cash flows and cash losses are expected to remain unchanged.

IFRS 9 introduces a three-stage approach to impairment as follows:

Stage 1 - Performing loans - the recognition of 12 month expected credit losses (ECL), that is the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date, if credit risk has not increased significantly since initial recognition;

Stage 2 - Underperforming loans - lifetime expected credit losses for financial instruments for which credit risk has increased significantly since initial recognition; and

Stage 3 - Non-performing loans - lifetime expected credit losses for financial instruments which are credit impaired.

The impairment requirements are applied by reference to the credit quality at initial recognition. Where actual information on credit quality at initial recognition is not available without undue cost or effort, an approximation may be applied using internal or external information, information about similar assets, or peer group experience. Otherwise, where information on initial credit quality is not available lifetime expected credit losses must be recognised until the financial assets have been derecognised.

#### *Trade and other receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances in current accounts.

#### *Trade and other payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. Trade and other payables are recognised initially at fair value and subsequently measured at their amortised cost using the effective interest rate method.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group or Company after deducting all of its liabilities. Equity instruments issued by the Group or Company are recorded at the proceeds received, net of direct issue costs.

### **Leases**

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an administrative expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2020

### 3. Significant accounting policies (continued)

#### Leases (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within 'Property, Plant and Equipment' in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

#### Critical accounting judgements and key sources of estimation uncertainty

##### *Judgement: Identifying the acquirer*

Judgement is required in identifying the acquirer in a business combination, being the entity that obtains control of the acquiree. This depends on a number of factors, including:

- The original intention of the shareholders;
- The existence of a large minority voting interest in the combined entity;
- The composition of the governing body of the combined entity;
- The composition of the senior management of the combined entity; and
- The terms of the exchange of equity interests.

Health House Holdings Limited was deemed to be the acquirer under IFRS 3 'Business Combinations' in the share for share exchange with CliniCann Ltd that took place on 4 November 2019. Whilst the former shareholders of CliniCann own the majority of the shares in the combined Group, the Directors of Health House Holdings Limited have the ability to govern the entire Group, it was the intention of the shareholders for Health House Holdings Limited to be the acquirer and the share for share exchange valued CliniCann at a premium.

##### *Estimate: Consideration of shares acquired*

The valuation of CliniCann shares acquired in the year was carried out by an independent valuation team. Assumptions, based on the current economic environment have been made, which management believe are a reasonable basis on which to estimate the value of CliniCann.

##### *Estimate: Recoverable value of intangible fixed assets other than goodwill*

Business 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. An estimation of the projected cashflows has been made based on the contract terms, however the amount of units that will be fulfilled cannot be known with certainty until the end of the contract.

##### *Estimate: Recoverable value of goodwill*

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2020 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a 2-year period, and key inputs include an estimate of ongoing market share and an estimate of future patient numbers based on historic growth rates.

##### *Estimate: Inventory provisioning*

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of inventory.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****Critical accounting judgements and key sources of estimation uncertainty (continued)***Estimate: Expected credit loss*

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. PD constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

**4. Revenue**

Revenue arising from the Group's activities during the period were as follows:

	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	£	£
Sale of goods	3,181,030	-
	<b>3,181,030</b>	-

The geographical split of revenue is shown below:

	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	£	£
United Kingdom	498,353	-
Australia	961,913	-
Europe	1,720,764	-
	<b>3,181,030</b>	-

**5. Other income**

	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	£	£
Sponsorship income	5,103	-
Government grants	26,614	-
	<b>31,717</b>	-

**6. Expenses by nature**

	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	£	£
<b>Cost of sales</b>		
Direct costs	2,433,375	-
Registrations	26,408	-
Commissions payable	7,188	-
	<b>2,466,971</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 6. Expenses by nature (continued)

	30-Jun-20	30-Jun-19
	£	£
<b>Administration expenses</b>		
Salaries and other employee costs	794,745	-
Audit and accountancy fees	112,593	-
Licences and fees	9,527	-
Depreciation and amortisation	216,580	-
Short term leases	22,361	-
Legal and professional fees	132,684	-
Foreign exchange losses	37,881	-
Bad debts	1,327	-
Consulting fees	483,604	-
Advertising fees	11,460	-
Travel and subsistence	47,709	-
Other administration expenses	186,641	-
	<u>2,057,113</u>	<u>-</u>

#### 7. Auditor's remuneration

Fees payable to the Group's auditor and associates

	30-Jun-20	30-Jun-19
	£	£
Audit of the financial statements of the Group	35,000	-
Other non-audit services	21,400	-
	<u>56,400</u>	<u>-</u>

#### 8. Employees

The average monthly number of persons (including directors) employed by the Group during the period was 22 (2019: Nil).

#### 9. Staff costs

	30-Jun-20	30-Jun-19
	£	£
Staff costs, including executive directors:		
Salaries	721,406	-
Social security costs	41,430	-
Pension costs	23,884	-
	<u>786,720</u>	<u>-</u>

#### 10. Directors' and key management remuneration

	30-Jun-20	30-Jun-19
	£	£
Director's remuneration for qualifying services	<u>401,873</u>	<u>-</u>

The amounts above are remunerated through both salaries (of which, some are included in Note 9) and through service companies (as disclosed in Note 30).



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 11. Income tax

	30-Jun-20	30-Jun-19
	£	£
<i>Current tax</i>		
UK corporation tax	-	-
Foreign income tax	-	-
<b>Total current tax expense</b>	<u>-</u>	<u>-</u>
<i>Deferred income tax</i>		
Decrease/(increase) in deferred tax assets		
(Decrease)/increase in deferred tax liabilities		
<b>Total deferred tax expense/(benefit)</b>	<u>-</u>	<u>-</u>
<b>Income tax expense</b>	<u>-</u>	<u>-</u>
	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>£</b>	<b>£</b>
Factors affecting tax charge for the year:		
(Loss) before taxation	(1,339,924)	-
(Loss) before taxation multiplied by the weighted average of the corporation tax rates of the jurisdictions in which the group operates at 23.25% (2018: 19%)	(311,532)	-
Explained by:		
Expenses not deductible for tax purposes	(518,053)	-
Income disallowed for tax	39	-
Unutilised tax losses carried forward	239,623	-
Effects of different tax rates of subsidiaries operating in other jurisdictions	(33,141)	-
Tax charge for the period	<u>-</u>	<u>-</u>

The Group has tax losses available to be carried forward and used against trading profits arising in future periods of £1,261,173. A deferred tax asset of £293,223 has not been recognised in respect of the tax losses carried forward on the basis that there is insufficient certainty over the level of future profits to utilise against this amount.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 12. Investments in subsidiaries

Company	30-Jun-20	30-Jun-19
	£	£
At cost		
At the beginning of the year	1	-
Additions during the year	3,553,251	1
At the end of the year	<u>3,553,252</u>	<u>1</u>

The Company has investments in the following subsidiary undertakings:

Subsidiary undertakings	Principle activity	Country of incorporation	Holdings	%
Health House Pharma Limited	Wholesale of pharmaceutical goods	UK	1 ordinary share	100%
Health House Distribution UK Limited	Dormant	UK	1 ordinary share	100%
CliniCan Ltd	Wholesale of pharmaceutical goods	Australia	87,438,509 ordinary shares	100%

The registered office of both Health House Pharma Limited and Health House Distribution UK Limited is Memery Crystal LLP, 165 Fleet Street, London, United Kingdom, EC4A 2DY.

Health House Distribution UK Limited was dormant during the period ended 30 June 2020.

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two step transaction, which took place on the 4th November and 20th November. 87,438,509 shares were exchanged, at an average value of A\$0.076 per share. CliniCann owns 100% of the share capital of Health House Holdings Ltd, which in turn holds 100% share capital of Health House International Pty Ltd. The registered office of CliniCan Ltd and its fellow subsidiaries is Level 26, 140 St Georges Terrace, Perth, WA 6000. All companies were incorporated in Australia.

#### 13. Intangible assets

Group	Website costs	Customer contracts	Goodwill	Total
	£	£	£	£
<b>Cost</b>				
At 1 July 2019	-	-	-	-
Additions	40,872	-	-	40,872
Acquisition of subsidiary	-	-	750,770	750,770
Acquisition of business contracts	-	400,000	-	400,000
At 30 June 2020	<u>40,872</u>	<u>400,000</u>	<u>750,770</u>	<u>1,191,642</u>
<b>Amortisation</b>				
At 1 July 2019	-	-	-	-
Charge for the year	2,105	180,967	-	183,072
At 30 June 2020	<u>2,105</u>	<u>180,967</u>	<u>-</u>	<u>183,072</u>
Net book value as at 30 June 2020	<u>38,767</u>	<u>219,033</u>	<u>750,770</u>	<u>1,008,570</u>
Net book value as at 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****13. Intangible assets (continued)**

Customer contracts of £400,000 have been capitalised as part of the acquisition of trade and assets from P&D Pharmaceuticals Limited on 05 September 2019 (see note 14 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.

Goodwill also arose upon the acquisition of CliniCann Ltd on 4th November 2019. See note 15 for a reconciliation of goodwill and further detail.

**Company**

	<b>Website costs</b>
	<b>£</b>
<b>Cost</b>	
At 1 July 2019	-
Additions	40,872
<b>At 30 June 2020</b>	<b>40,872</b>
<b>Accumulated amortisation</b>	
At 1 July 2019	-
Charge for the period	2,105
<b>At 30 June 2020</b>	<b>2,105</b>
<b>Net book value</b>	
<b>At 30 June 2020</b>	<b>38,767</b>
At 30 June 2019	-

**14. Acquisition of P&D**

On 5 September 2019, Health House Pharma Limited acquired the trade and assets of P&D Pharmaceuticals Limited. P&D Pharmaceuticals Limited is a distribution business offering a suite of third-party medicinal cannabis products via pharmacy channels with Europe, and qualifies as a business as defined in IFRS 3. P&D Pharmaceuticals Limited was acquired in order to open up further opportunities for the Group in Europe, and was transferred to the Group with strong business contracts already in place.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	<b>£</b>
Plant and Equipment	20,000
Customer contracts	400,000
Total identifiable assets acquired and liabilities assumed	<b>420,000</b>
Goodwill	-
Total consideration	<b>420,000</b>
Satisfied by:	
Cash	370,000
Cash retention (note 21)	50,000
Total consideration transferred	<b>420,000</b>

Acquisition-related costs (included in administrative expenses) amount to £32,538.

The acquisition of the assets and trade from P&D Pharmaceuticals Limited contributed £2,221,558 revenue and £283,131 to the Group's loss for the period between the date of acquisition and the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****15. Acquisition of CliniCann Ltd**

During the year ended 30 June 2020, the Group acquired 100% of CliniCann Ltd by way of a share for share exchange. This was completed through a two step transaction, which took place on the 4th November and 20th November.

87,438,509 of Company's shares were exchanged for the entire issued share capital of CliniCann Ltd at an average value of A\$0.02 (£0.01) per share. CliniCann owns 100% of the share capital of Health House Holding Ltd, which in turn holds 100% share capital of Health House International Pty Ltd.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	<b>£</b>
Ordinary shares issued	994,960

The fair value of the 87,438,509 shares issued as the consideration paid for CliniCann Ltd was based on an independently valued share price of A\$0.02 (£0.01).

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair value</b>
	<b>£</b>
Cash	312,611
Fixed assets	58,542
Trade receivables	93,960
Other debtors	22,736
Inventory	31,716
Trade payables	(196,088)
Lease liabilities	(59,012)
Other creditors	(20,275)
Net identifiable assets acquired	<b>244,190</b>
Goodwill	750,770
Net assets acquired	<b>994,960</b>

The goodwill is attributable to the expected profitability of the acquired business. It will not be deductible for tax purposes.

CliniCann Ltd made a loss of £555,340 during the year ended 30 June 2020, of which £259,927 has been included in the Group results, relating to the period 4 November 2019, the date of acquisition, to 30 June 2020.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 16. Property, plant and equipment

	Computer Equipment	Office equipment	Plant & Machinery	Right Of Use Asset	Total
	£	£	£	£	£
<b>Cost</b>					
Balance as at 1 July 2019	-	-	-	-	-
Additions	11,594	2,200	20,000	62,263	96,057
Balance as at 30 June 2020	<u>11,594</u>	<u>2,200</u>	<u>20,000</u>	<u>62,263</u>	<u>96,057</u>
<b>Accumulated depreciation</b>					
Balance as at 1 July 2019	-	-	-	-	-
Charge for the year	966	658	3,278	29,947	34,849
Balance as at 30 June 2020	<u>966</u>	<u>658</u>	<u>3,278</u>	<u>29,947</u>	<u>34,849</u>
Net book value as at 30 June 2020	<u>10,628</u>	<u>1,542</u>	<u>16,722</u>	<u>32,316</u>	<u>61,208</u>
Net book value as at 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group leases buildings, the average lease term of which is 2.5 years. None of the leases held by the Group expired in the current financial year.

Plant & Machinery of £20,000 acquired during the year ended 30 June 2020 relates solely to the assets acquired from P&D Pharmaceuticals Limited.

#### 17. Inventory

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Finished goods	<u>358,466</u>	<u>-</u>	<u>-</u>	<u>-</u>

Inventories recognised as an expense during the year ended 30 June 2020 amounted to £1,730,550. These were included in cost of sales.

#### 18. Trade and other receivables

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Trade receivables	417,623	-	-	-
Prepayments	60,147	-	26,070	-
Other receivables	23,674	-	21,950	-
VAT receivable	100,013	-	2,799	-
Amounts from group companies	1,000	-	641,370	-
	<u>602,457</u>	<u>-</u>	<u>692,189</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****18. Trade and other receivables (continued)****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.

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. There is no history of default, and therefore no expected losses against them. The other customer base relates to State customers, with no history of default, therefore, the lifetime expected losses are considered to be £nil.

**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 2020 (2019: £Nil).

**19. Other assets held at amortised cost**

Financial assets at amortised cost include the following bonds held:

**Current**

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Bonds	136,452	-	-	-

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.

**20. Cash and cash equivalents**

Cash at the end of the financial period as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Cash and cash equivalents	272,733	-	30,687	-

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 21. Trade and other payables

Amounts due within one year:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Trade payables	640,518	-	108,369	-
Amounts payable to Parent Entity	-	-	2,049	-
Other Creditors	251,771	-	14,646	1
Accruals	168,568	-	53,375	-
Social security and other taxes	30,686	-	17,744	-
	<u>1,091,543</u>	<u>-</u>	<u>196,183</u>	<u>1</u>

Amounts due after one year:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Deferred consideration	50,000	-	-	-
	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</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.

#### Company

All amounts due to subsidiary undertakings are repayable on demand, and are non-interest bearing.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 22. Lease liabilities

##### Amounts recognised on the balance sheet

The balance sheet shows the following amounts relating to leases:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
<b>Right-of-use assets (included within property, plant and equipment)</b>				
Property leases	32,316	-	-	-
<b>Lease liabilities</b>				
Property leases	33,564	-	-	-
Maturity analysis - contractual cash flows				
Less than one year	17,909	-	-	-
One to five years	18,106	-	-	-
More than five years	-	-	-	-
Total undiscounted lease liabilities	36,015	-	-	-
Less: future finance charges	(2,451)	-	-	-
Present value of lease liabilities	33,564	-	-	-
Disclosed as:				
Current lease liabilities	16,176	-	-	-
Non-current lease liabilities	17,388	-	-	-
	<b>33,564</b>	-	-	-

Amounts recognised in the statement of profit or loss:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Depreciation on property leases	29,947	-	-	-
Interest expense on lease liabilities	6,475	-	-	-

The total cash outflow for leases during the period was £35,175 (2019: £Nil).



## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 23. Commitments under operating leases

At 30 June 2020 the Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Not later than 1 year	28,500	-	28,500	-
Later than 1 year and not later than 5 years	16,625	-	16,625	-
	<u>45,125</u>	<u>-</u>	<u>45,125</u>	<u>-</u>

#### 24. Borrowings

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
<b>Current</b>				
<i>Secured</i>				
Loans	4,809	-	4,809	-
<i>Unsecured</i>				
Loans	246,944	-	7,698	-
<b>Total</b>	<u>251,753</u>	<u>-</u>	<u>12,507</u>	<u>-</u>

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
<b>Non-current</b>				
<i>Secured</i>				
Loans	<u>6,878</u>	<u>-</u>	<u>6,878</u>	<u>-</u>

The unsecured loans primarily relate to the following:

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 31 March 2021, and as at 30 June 2020, the outstanding amount is £136,771.

On 11 March 2020, the Group entered into a loan agreement with Oakways Healthcare. 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 31 March 2021, and as at 30 June 2020, the outstanding amount is £74,556.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****25. Financial instruments**

The Group and Company are exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group and Company 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 and Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising the return to stakeholders. The Group and Company is funded by both of its shareholders through equity financing.

The capital structure of the Group and Company consists of cash and cash equivalents and equity, comprising issued capital and retained profits. Cash is held with banks rated A+.

The Group and Company 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 and Company, 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

**Categories of financial instruments**

At 30 June 2020, the Group and Company held the following financial assets:

*Financial assets*

	<b>Group</b>	
	<b>Amortised cost</b>	<b>Amortised cost</b>
	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>£</b>	<b>£</b>
Trade and other receivables	433,666	-
Financial assets at amortised cost	136,452	-
Cash and cash equivalents	272,733	-
	<u><b>842,851</b></u>	<u><b>-</b></u>

*Financial liabilities*

	<b>Group</b>	
	<b>Amortised cost</b>	<b>Amortised cost</b>
	<b>30-Jun-20</b>	<b>30-Jun-19</b>
	<b>£</b>	<b>£</b>
Trade and other payables	962,131	1
Borrowings	258,631	-
	<u><b>1,220,762</b></u>	<u><b>1</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 25. Financial instruments (continued)

##### *Financial assets*

	Company	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other receivables	654,770	-
Cash and cash equivalents	30,687	-
	<u>685,457</u>	<u>-</u>

##### *Financial liabilities*

	Company	
	Amortised cost	Amortised cost
	30-Jun-20	30-Jun-19
	£	£
Trade and other payables	142,808	1
Borrowings	19,385	-
	<u>162,193</u>	<u>1</u>

#### **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.

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.

#### **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.

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****25. Financial instruments (continued)****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 2020, 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 2020, there were no financial assets, other than trade receivables, that are not were past their due date. As a result, there has been no impairment of other financial assets during the year.

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 2020, the Group had £272,733 (2019: £Nil) of cash reserves.

**Foreign currency risk**

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. There have been no changes to the Group's exposure to market risks or the manner in which these risks arise.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Group 30-Jun-20			Group 30-Jun-19		
	EUR £	AUD £	USD £	EUR £	AUD £	USD £
Trade and other receivables	320,678	79,346	-	-	-	-
Financial assets at amortised cost	136,452	-	-	-	-	-
Cash and cash equivalents	2,257	137,985	4,017	-	-	-
Trade and other payables	(2,876)	(442,683)	-	-	-	-
Borrowings	(136,772)	(27,917)	-	-	-	-
	<b>319,739</b>	<b>(253,269)</b>	<b>4,017</b>	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 30 June 2020

#### 25. Financial instruments (continued)

	Company 30-Jun-20		Company 30-Jun-19	
	EUR	AUD	EUR	AUD
	£	£	£	£
Trade and other receivables	-	-	-	-
Financial assets at amortised cost	-	-	-	-
Cash and cash equivalents	-	-	-	-
Trade and other payables	-	-	-	-
Borrowings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 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).

#### 26. Share capital

	30-Jun-20	30-Jun-19
	£	£
<b>Issued and fully paid:</b>		
101,698,310 - Ordinary shares at £0.01 each	1,016,983	-
	<u>1,016,983</u>	<u>-</u>

#### Reconciliation of movements during the year:

	30-Jun-20
	Number Ordinary Shares of £0.01 each
1 Ordinary Share of £0.01 issued at £1 on incorporation	0.01
13,959,800 Ordinary Shares issued at £0.1 each on 02 September 2019 for cash	139,598
87,438,509 Ordinary Shares issued in exchange for 87,438,509 Ordinary Shares in CliniCann Ltd at a value of A\$0.076 each on 4th November and 20th November	874,385
300,000 Ordinary Shares issued at £0.1 each on 08 April 2020	3,000
	<u>1,016,983.01</u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****27. Share premium**

	30-Jun-20
	£
Balance at 1 July 2019	-
Issue of new shares	3,962,249
Less share issue costs	(83,039)
Balance at 30 June 2020	<u><u>3,879,210</u></u>

**28. Reserves**

	Group		Company	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	£	£	£	£
Other reserves	(2,558,291)	-	-	-
Translation reserve	8,170	-	-	-
Retained earnings	<u>(1,339,924)</u>	<u>-</u>	<u>(796,866)</u>	<u>-</u>

**Nature and purpose of reserves***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 affected 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.

*Translation reserve*

The translation reserve is due to accumulated foreign exchange translation differences arising on translation of the Group's operations into a GBP presentational currency. This reserve is not considered to be distributable.

*Retained earnings*

This is the Group's accumulated profit/loss and is distributable.

**29. Cash used in operations**

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£	£	£	£
(Loss) before income tax	(1,339,924)	-	(796,866)	-
Adjustments for:				
Depreciation	34,849	-	-	-
Amortisation	183,072	-	2,105	-
Finance costs	28,453	-	1,566	-
Interest income	(337)	-	(17)	-
Change in operating assets and liabilities				
(Increase) in receivables	(485,762)	-	(692,190)	-
(Increase) in inventory	(326,751)	-	-	-
Increase in payables	875,180	-	215,568	-
Cash used in operations	<u><u>(1,031,218)</u></u>	<u><u>-</u></u>	<u><u>(1,269,834)</u></u>	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 30 June 2020****30. Related party transactions****CPS**

On 2 September 2019, £90,454 commission was paid to CPS Capital Group Pty Ltd for brokerage services. CPS Capital Group Pty Ltd is a company owned by Jason Peterson, who is a Director of Health House Holdings Limited. All amounts were fully paid as at 30 June 2020.

**CliniCann acquisitions**

During the year ended 30 June 2020, the Company acquired 100% of CliniCann Ltd by way of a share for share exchange. At the date of acquisition, David Wheeler, who is a Director of Health House Holdings Limited, held an interest in CliniCann Ltd.

**Key management compensation**

Key management includes Directors (executive and non-executive) and senior management. The compensation paid to related parties in respect of key management for employee services during the period consisted of: £13,972 paid to CPS Capital Group Pty Ltd in respect of the fees of Jason Peterson (£Nil outstanding as at 30 June 2020); £59,882 paid to Pathways Corporate Ptd Ltd in respect of the fees of David Wheeler (£3,992 outstanding as at 30 June 2020). Other key management received £322,031.

**31. Controlling party**

There is no controlling party of the Group.

**32. First time adoption of IFRS**

The policies applied under the Group's previous accounting framework are not materially different to IFRS and have not impacted on equity or comprehensive income. The date of adoption of IFRS is the start of the comparative period, being 18 October 2018.

**33. Post balance sheet events**

On 1 September 2020, 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 £325,001. The provisional fair value of identifiable assets acquired and liabilities assumed are set out as follows:

	£
Plant and Equipment	30,000
Stock	70,000
Customer contracts	225,001
Total identifiable assets acquired and liabilities assumed	<u>325,001</u>
Goodwill	-
Total consideration transferred	<u><u>325,001</u></u>

On 7 October, the Company completed a fundraising whereby the Company raised a gross amount of £536,500 from new and existing investors.