Althea Group Holdings Limited and Controlled Entities

Annual Financial Report 2021

For the year ended - 30 June 2021

ABN 78 626 966 943

Lodged with the ASX under Listing Rule 4.2A

01 Appendix 4E

1. COMPANY DETAILS

Name of entity: Althea Group Holdings Limited
ABN: 78 626 966 943
Reporting period: For the year ended 30 June 2021
Previous period: For the year ended 30 June 2020

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenues from ordinary activities	up	128.0%	to	11,540
Loss from ordinary activities after tax attributable to the owners of Althea Group Holdings Limited	up	1.9%	to	(15,046)
Loss for the year attributable to the owners of Althea Group Holdings Limited	up	1.9%	to	(15,046)

Comments

The loss for the consolidated entity after providing for income tax amounted to $15,046,000 (30 June 2020: $14,768,000).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	8.68	11.23

4. CONTROL GAINED OVER ENTITIES

Not applicable.

5. LOSS OF CONTROL OVER ENTITIES

Not applicable.

6. DIVIDENDS

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. DIVIDEND REINVESTMENT PLANS

Not applicable.

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

9. FOREIGN ENTITIES

Details of origin of accounting standards used in compiling the report:

International Financial Reporting Standards (IFRS).

10. AUDIT QUALIFICATION OR REVIEW

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unmodified opinion has been issued.

11. ATTACHMENTS

Details of attachments (if any):

The Annual Report of Althea Group Holdings Limited for the year ended 30 June 2021 is attached.

12. SIGNED

Signed

Andrew Newbold

Chairman

Date: 30 August 2021

Althea™

Making cannabis more accessible every day

At Althea Group Holdings Limited, our mission is to improve the lives of people worldwide by providing them with high-quality cannabis products.

We are passionate about the health benefits of cannabis and seek to help patients suffering from debilitating conditions by streamlining access to our cannabis-based medicines.

We also believe that cannabis has a place in a regulated consumer goods market and, through our wholly-owned Canadian-based business Peak Processing Solutions, we manufacture a range of recreational cannabis products including cannabis-infused beverages, concentrates, edibles and topicals for sale into the legal cannabis market.

Corporate Directory

Directors	Andrew Newbold (Chairman and Independent Non-Executive Director) Joshua Fegan (Chief Executive Officer and Managing Director) Alan Boyd (Independent Non-Executive Director) Penelope Dobson (Independent Non-Executive Director)
Company secretary	Robert Meissner
Registered office	Suite 2, Level 37 360 Elizabeth Street, Melbourne, VIC 3000
Principal place of business	Suite 2, Level 37 360 Elizabeth Street, Melbourne, VIC 3000
Share register	Computershare Investor Services Pty Ltd Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 1300 787 272
Auditor	RSM Australia Partners Level 21, 55 Collins Street, Melbourne VIC 3000
Solicitor	DLA Piper Australia 80 Collins Street, Melbourne VIC 3000
Stock exchange listing	Althea Group Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: AGH)
Website	www.althea.life

CEO letter

02

02 CEO letter

For personal use only

Dear Shareholder,

It is my pleasure to present to you Althea Group Holdings Limited's (AGH) annual report for the financial year ended 30 June 2021 (FY21).

With the world still very much recovering from the impacts of COVID-19 and the associated lockdowns and restrictions, it has been a challenging year for many businesses.

AGH has not been immune to these challenges and has been impacted as a result of lockdowns across the multiple jurisdictions in which we operate.

However, I am pleased to note that the Company has shown real resilience in these difficult times, with sustained growth across key metrics and continued international expansion amid this period of uncertainty.

During FY21, the Company continued to cement its position as a global leader in the manufacturing, sales, and distribution of cannabis-based products, both for medicinal use (pharmaceutical products) and consumer packaged goods (non-pharmaceutical products).

We are now truly a global company, with operations spanning Australia, the United Kingdom, Germany, South Africa and Canada, as well as plans to enter additional countries such as France - where we see significant market opportunity.

19,250+
patients

25%+
market share in Australia

$6.3m
cash on hand

AUSTRALIA

Althea's continued strong growth in Australia is underpinned by our two-pronged strategy comprised of our in-field sales team and Althea Concierge™, our Software as a Medical Device included on the Australian Register of Therapeutic Goods that greatly streamlines the medicinal cannabis prescription process for Healthcare Professionals (HCPs).

We ended FY21 with 17,327 patients in Australia, an increase of 138% on the 7,295 recorded at 30 June 2020. The number of HCPs prescribing our medicinal cannabis products also increased, rising to 1,045 from 590 at the end of FY20.

Revenue from our Australian operations also increased, rising to $8.4m in FY21 from $4.9m in FY20. During the year, we continued to invest in an expansion of staff based on our growth expectations for FY22 and beyond.

As noted above, this growth was achieved despite the ongoing disruptions to our business caused by the pandemic.

Pleasingly, we were able to adjust to the 'new normal' quickly, with many of the interactions between our in-field representatives and HCPs being conducted virtually.

We also saw this as an opportunity to implement further enhancements to Althea ConciergeTM, upgrading it to incorporate functionality that enabled online (contactless) prescription fulfillment. Our product home delivery feature was well received by patients and HCPs alike, helping us to navigate the obstacles created by COVID-19.

FY21 also saw us innovate with regard to our product line up in Australia with the launch of a new range of 'flexi' 20ml full-spectrum cannabis oil products. This smaller unit size provides inexperienced medicinal cannabis patients with the ability to trial our medication over the recommended trial period. Following this, in conjunction with their HCPs, they can determine if medicinal cannabis is right for them. We have already seen positive results from this initiative, with trial patients transitioning to the more economical larger sized Althea products.

On the regulatory front, we welcomed the Therapeutic Goods Administration's decision in December 2020 to down-schedule low dose cannabidiol (CBD) from Schedule 4 (prescription only) to Schedule 3 (pharmacist only). We see this as a new market opportunity and are currently assessing current and future Althea products, which would fit into this new regulatory framework.

128%
increase in revenue

$54m
total assets

70,000+
Althea products shipped globally

UK

Following the lifting of national lockdowns in April, our UK business has experienced a strong rebound, with sales of $1.6m in FY21, up from $74k in FY20.

As with Australia, our success in the UK is driven by our in-field sales team's ability to educate and onboard additional prescribing specialists as well as the Althea Concierge™ platform's role in employing the prescription process.

Complementing this, our wholly-owned UK subsidiary MyAccess Clinics also continued to gain momentum during FY21, ending the period with more than 561 patients in treatment.

CANADA

Our operations in North America revolve around our Canadian-based subsidiary Peak Processing Solutions (Peak), which is a leading contract manufacturer of recreational cannabis products.

In September 2020, Peak obtained its Standard Processing Licence from Health Canada, which allowed Peak's state-of-the-art facility to officially start producing and selling legal cannabis products destined for the Canadian recreational cannabis market.

These cannabis derivative products, which include cannabis-infused beverages, concentrates, topicals and powders, are the next major trend taking place in the global cannabis industry.

Since obtaining the licence, Peak has executed a number of orders and agreements in the burgeoning legal cannabis market.

- **November 2020:** Entered into a Licence Agreement with Canadian-based Earth Kisses Sky to produce two customer branded topical products, with 150,000 units (75,000 of each) expected to be purchased in year 1;
- **November 2020:** Entered a Manufacturing and Distribution Services Agreement with Canadian cannabis beverage start-up Electric Brands to produce two canned beverage SKUs;
- **December 2020:** Announced entering an agreement with The Tinley Beverage Company. The announcement was made on 1 Dec, however, the agreement was executed on 30 Nov.;
- **February 2021:** Received first order from WeedMD RX Inc., a subsidiary of WeedMD Inc. (TSX-V: WMD, CVE: WMD, OTCQX: WDDMF) following a one-year commercial services agreement to perform hydrocarbon extraction, formulation and co-packing of live resin cannabis concentrates, and;
- **March 2021:** Received first order from Peace Naturals Project Inc., a subsidiary of Cronos Group Inc. (NASDAQ: CRON, TSX: CRON) as part of a larger one-year commercial services agreement.

Although our business in Canada was similarly hampered by COVID-19 restrictions, we started to see an uptick in business during the June quarter as the onset of the Canadian summer approached, accompanied by progress in the country's vaccination programme.

We remain extremely bullish on Peak's business and are pleased to see that it is continuing to attract interest from major consumer packaged goods companies in

North America looking to diversify their businesses into the legal cannabis market.

INTERNATIONAL EXPANSION

During FY21, we also made significant progress with regard to our international expansion strategy, which has seen us enter Germany and South Africa, with additional countries and regions planned for the years ahead.

GERMANY

The first country we have targeted in the EU is Germany, which has a large and well-regulated cannabis market that is expected to grow to approximately A$12.2bn by 2028[1].

In November 2020, we obtained all necessary licences from the German health regulator for the sale and distribution of our products in Germany. Soon after this, our first shipment of products was sent to our German partner, Nimbus Health GMBH (Nimbus).

Nimbus is a leading German pharmaceutical wholesaler specialising in medicinal cannabis with a large network of partnering pharmacies. Together with Nimbus, we are building upon their existing sales channels to grow the Althea brand so that it can be a leading player in what is already Europe's largest medicinal cannabis market.

Although our plan to launch an in-field sales team in Germany was slowed by COVID-19, it was able to commence in May, and patient prescriptions are now showing strong growth. Backed by this team and a localised version of Althea Concierge™, we are forming an aggressive market access strategy to help us generate significant sales in Germany.

SOUTH AFRICA

FY21 also saw us turn our attention to the South African market. Although smaller than Germany, the South African market represents a sizable opportunity for the company and is expected to be worth about US$667m by 2023[2].

Building on an agreement signed in December 2020, we sent our first shipment of Althea products to our African partner, Africann, in June 2021.

We intend to use a similar education-based approach in South Africa, leveraging a well-trained sales team and technology to improve access to our products there. With operations now on four continents, we are building Althea into a global brand trusted by people worldwide.

FRANCE

Late in FY21, we began preparations for our entry into our next European target market, France. The market opportunity there is comparable to Germany as it estimated to be worth around €9.5bn by 2028[3].

Despite historically having some of the strictest cannabis policies in the region,

[1] Prohibition Partners, The Germany Cannabis Report.
[2] Source: Prohibition Partners, The African Cannabis Report, 2019, page 42.
[3] Prohibition Partners, The European Cannabis Report Edition 4, January 2019 at 65.

France has now commenced a pilot scheme to evaluate the feasibility of making medicinal cannabis available there.

Althea is very excited to have been selected to supply the French National Agency for Medicines and Health Products Safety with second-source medicinal cannabis products for the scheme. Along with our French partner in the pilot scheme, Laboratoires Bourchara-Recordati, we are considering additional commercial opportunities that we may pursue together.

CORPORATE

Following a A$6m (before costs) institutional placement, A$3.78m share purchase plan completed in December 2020 and January 2021 respectively and a further A$10.68m raised subsequent to year-end, Althea remains well funded to continue executing our strategic growth plans.

In addition to raising capital, we managed to reduce our CAPEX in the latter half of the financial year and expect to be able to make further reductions in the quarters ahead.

During FY21 net cash used in operating activities improved from $14.2 to 10.4m notwithstanding significant investment in future growth, funding the expansion in UK and Germany and Peak gearing up for production.

FY22 AND BEYOND

AGH continued to enjoy strong growth in FY21 and is building momentum for the years ahead.

We are global leaders in the medicinal cannabis space and will continue to be so due to a combination of our high-quality products, education-based approach, Althea Concierge™ platform, and rapid global expansion.

For our European expansion, we plan to scale up our UK operations in FY22, increasing the in-field sales team and engaging with more HCPs.

Meanwhile, in Germany, our in-field sales team continues to increase interactions with HCPs, so that we can follow our tried and trusted strategy of taking an education-based approach to increasing the number of HCPs prescribing our products.

For France, and other European countries, we will steadily build on our position as medicinal cannabis leader, expanding Althea Concierge™ into key markets, upsizing our in-field sales team, and developing new products.

On the recreational side of the business, Peak is attracting growing interest and we are excited that we will be able to work with big brands to bring their products to market in Canada. We hope one day soon, the US and Mexico will follow.

In summary, we are very excited about the future of Althea Group Holdings Limited. I would like to take this opportunity to thank you all for continuing to support the company as a shareholder and I wish you all the best for the financial year ahead.

Yours sincerely,

Joshua Fegan

Althea Group Holdings Ltd CEO

Introduction to AGH

03


1000
APPROX
800
600
400
200
1000
800
600
APPROX
400

03 Introduction to AGH

Althea was founded in 2016 with a simple goal – to improve the lives of people worldwide by providing them with high-quality medicinal cannabis products.

Since our inception, we have grown rapidly and are now recognised globally as a leader in both medicinal and recreational cannabis. To service these markets, we have established two distinct business verticals: Althea for the pharmaceutical market and Peak Processing Solutions (Peak) for the Canadian recreational cannabis market.

Our market access strategy is underpinned by a two-pronged approach comprising of an expert in-field sales team, supported by Althea Concierge™, a Software as a Medical Device listed on the Australian Register of Therapeutic Goods, which was designed to streamline the medicinal cannabis prescription process.

In 2019, we expanded into the United Kingdom, leveraging the unique intellectual property we developed in Australia. We also opened a medicinal cannabis clinic in the UK called MyAccess Clinics.

That same year, we acquired Canadian start-up contract manufacturer Peak Processing Solutions, heralding our entry into the North American recreational cannabis market underpinned by the cannabis experience of Peak's founders.

Following our successful expansion into the UK, we have also entered the German and South African medicinal cannabis markets and are currently in the process of preparing to launch operations in further jurisdictions, including France.

With over 20,000 patients and operations now spanning four continents, we are building Althea into a global brand trusted by people throughout the world.

www.althea.life

Key businesses

04

04 Cannabis-based medicines

Althea has a comprehensive range of full-spectrum cannabis-based products for medicinal use in Australia, the United Kingdom, Germany and South Africa.

Althea uses a two-pronged strategy to promote its pharmaceutical cannabis products - an in-field sales team and Althea Concierge™.

The in-field sales teams work with Healthcare Professionals to generate prescriptions of Althea products. To support Healthcare Professionals, our Software as a Medical Device included on the Australian Register of Therapeutic Goods, Althea Concierge™, simplifies the process for prescribing cannabis-based medicines.

For patients, Althea Concierge™ provides monitoring of treatment progress and prescription fulfillment by a participating pharmacy, delivering medication directly to their door, creating an omnichannel experience.

Althea™

myaccess clinics

Althea™ | CONCIERGE

Recreational cannabis products

Peak Processing Solutions (Peak), a wholly-owned subsidiary of AGH, offers brand partners the opportunity to innovate through Peak's industry-leading cannabis product development, processing and manufacturing capabilities.

To its partners in North America, Peak provides expert formulation and manufacturing of recreational cannabis products such as beverages, edibles and topicals destined for the US$2.5bn[1] legal cannabis market in Canada.

Peak also manufactures selected medicinal cannabis products for Althea.

[1] The North American Cannabis Report 2nd Edition, 2020 Prohibition Partners p77 (viewed 20/05/21)

Global expansion

Althea is well established in Australia and the United Kingdom, with a combined total of over 20,000 patients and more than 1,100 prescribing doctors, equating to approximately 25% market share in Australia and 32% in the United Kingdom.

Althea dispatched its first shipment of medicinal cannabis products to Germany in February 2021, and working with its local partner Nimbus Health, began receiving prescriptions for Althea products in May 2021.

In Germany, the Company has established an in-field sales team and has launched a localised version of Althea Concierge™.

Althea is a leading supplier of medicinal cannabis worldwide.

Cannabis-based Medicines

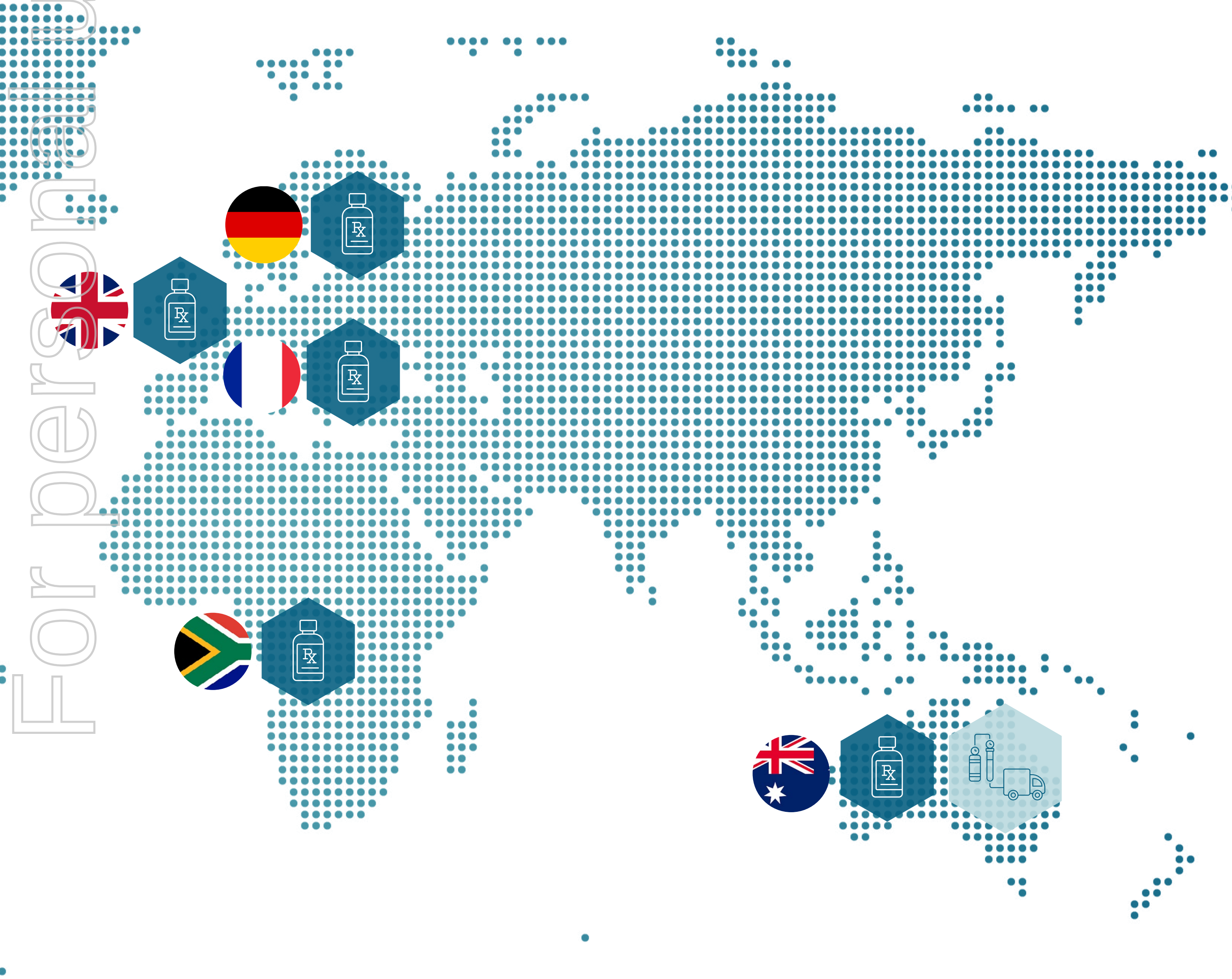
Recreational Cannabis Products

Manufacturing

A similar sales approach as adopted for Germany will be undertaken in South Africa, where Althea has also recently dispatched its first shipment of products to its local partner, Africann.

Althea has commenced preparations for entry into our next European market, France. Althea was selected to supply the French National Agency for Medicines and Health Products Safety with a second source of medicinal cannabis products for a pilot scheme to evaluate the feasibility of making medicinal cannabis available there.

Althea is also considering additional commercial opportunities that it may pursue together with its French partner in the pilot scheme, Laboratoires Bourchara-Recordati.



MyAccess Clinics

To support Althea's expansion into the United Kingdom, Althea has established MyAccess Clinics, an online health clinic providing independent treatments and assessments for medicinal cannabis.

MyAccess Clinics works within the guidelines set out by the GMC, MHRA and NHS England. MyAccess Clinics is regulated by the Care Quality Commission (CQC), the independent regulator of health and social care in England. MyAccess Clinics is among the first medical cannabis clinics to be regulated by the CQC.

MyAccess Clinics offers virtual consultations (telehealth) across the United Kingdom and already has approximately 700 registered patients.

Following the gradual lifting of national COVID-19 lockdowns commencing in April 2021, Althea's UK business has experienced a strong rebound, with sales of $1.6m in FY21, up from $74k in FY20.

myaccess clinics


althea.life
Althea
MEDICINAL CANNABIS - THE BASICS
ACCESSING MEDICINAL CANNABIS
NEWS & EVENTS
ABOUT ALTHEA
CONTACT US
CONCIERGE
Althea | CONCIERGE
ACCESS MADE SIMPLE
Althea Concierge™ is a free comprehensive support platform for patients, Healthcare Professionals, and pharmacists. Designed specifically to educate, support patients, fulfill prescriptions, and simplify access to medicinal cannabis.
Althea Concierge™ has been registered with the Therapeutic Goods Administration (TGA) as a medical device.

Althea Concierge™

Althea Concierge™ is a key part of Althea's value proposition and provides Althea with a true competitive advantage in the markets it operates in.

Althea Concierge™ is the only Software as a Medical Device included on the Australian Therapeutic Goods Register by a medicinal cannabis company, licensed by the Australian Office of Drug Control.

Althea Concierge™ is a free, user-friendly medical app, which has supported patients and Healthcare Professionals access medicinal cannabis since 2018. As a leading industry support platform, Althea Concierge™ is accessed daily by Healthcare Professionals to provide the best possible care for thousands of people in the markets in which Althea operates. The platform is instrumental in facilitating the regulatory approval process and providing potential treatment options for conditions that have not gained relief from first-line treatments.

Althea Concierge™ support platform offers several key features including:

- Education and information for Healthcare Professionals
- Interactive product selection tool
- Customised patient titration tools
- Monitoring tools
- Online prescription fulfillment and delivery

Supporting the global expansion of the business, the Althea Concierge™ platform is localised to support all the needs of each market and ensures Althea remains an innovative leader in these markets.

Althea™ | CONCIERGE

Recreational cannabis products

Acquired by Althea in 2019, Peak Processing Solutions is a leading contract manufacturer of recreational cannabis products in Canada.

Peak has a purpose-built, large-scale and state-of-the-art production facility, with capabilities spanning raw cannabis extraction, cannabis extract refinement, cannabinoid potency and quality testing, nano-emulsification and spray drying, and finished goods packaging. These capabilities position Peak as a leading manufacturer of cannabis derivative products including cannabis-infused beverages, concentrates, edibles, topicals and more.

Peak offers research and development support, raw material sourcing, in-house formulation services and quality assurance experts, to ensure products are compliant with Health Canada's requirements. Peak also has an extensive distribution network

that supports product registration with Health Canada, facilitates product submissions to secure listings with Provincial wholesalers, and can coordinate shipments to distributors and private retailers throughout Canada.

Since obtaining its Standard Processing Licence from Health Canada in September 2020, Peak has executed several orders and contract manufacturing agreements with a selection of well-known consumer brands and cannabis companies, many of which are listed publicly in North America.

These contracts include agreements to manufacture products for leading North American cannabis companies including The Tinley Beverage Company (CSE:TNY), WeedMD Inc. (TSX-V: WMD, CVE: WMD, OTCQX: WDDMF) and Cronos Group Inc. (NASDAQ: CRON, TSX: CRON).

Directors' report

05

05 Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Althea Group Holdings Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

DIRECTORS

The following persons were Directors of Althea Group Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated: Andrew Newbold, Joshua Fegan, Alan Boyd and Penelope Dobson

PRINCIPAL ACTIVITIES

The principal activities of the consolidated group during the year were the manufacturing, sales and distribution of cannabis based products, both for medicinal use (pharmaceutical products) and consumer packaged goods (non-pharmaceutical products).

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

During the year Althea Group Holdings Limited generated revenue of more than $11.5 million. The consolidated entity's loss for the financial year amounted to $15,046,000 (30 June 2020: $14,768,000).

Key achievements by the consolidated entity during the year are as follows:

- In excess of 19,250 patients have now been prescribed the consolidated entity's medicinal cannabis products globally
- Significant year on year sales growth with the consolidated entity's revenue exceeding $11.5 million, an increase of 128% compared to the previous financial year
- Continued to invest in an expansion of staff based on our growth expectations for FY22 and beyond
- Net cash used in operating activities improved from $14.2 to 10.4m notwithstanding significant investment in future growth, funding the expansion in UK and Germany and Peak gearing up for production
- Canadian subsidiary, Peak Processing Solutions, successfully obtained its Standard Processing Licence in September 2020 and ended the year with revenue in excess of $1.6 million
- Expanded the consolidated entity's product range with the release of a new innovative 20ml full-spectrum oil

- Executed two additional authorised distributor agreements in the UK with cannabis telehealth and dispensing provider Lyphe Group and Grow Pharma, one of the UK's leading medicinal cannabis importers
- Executed international expansion strategy with the launch of the consolidated entity's medicinal cannabis products in Germany and South Africa
- Selected to supply the French National Agency for Medicines and Health Products Safety with a second-source medicinal cannabis product for the scheme
- Successfully raised $9.78 million of capital, closing the year with a strong cash position of $6.3 million as at 30 June 2021

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 25 August 2021, Althea Group Holdings Limited completed a capital raise with funds received totalling $10,640,000.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as rate of vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

ENVIRONMENTAL REGULATION

The Parent's subsidiary, Peak Processing Solutions, is subject to environmental regulations and other licenses in respect of its manufacturing facility located in Ontario, Canada. The company monitors changes in its regulatory environment and ensures ongoing compliance with new requirements. It is subject to regular inspections and audits by responsible Provincial and Federal authorities. The company considers it has complied with all necessary environmental regulations throughout the year ended 30 June 2021 and no related issues have arisen since the end of the financial year to the date of this report.

INFORMATION ON DIRECTORS

Andrew Newbold

Chariman and Independent Non-executive Director
LLB / BEc

Experience and expertise: Andrew is a qualified lawyer having practised for nearly 20 years at a large commercial firm. Following his retirement from law in 2006, he founded a renewable energy business which he sold to Origin Energy in 2009. Since that time he has been involved in a start-up property app business which he sold to ANZ in 2015 and various other businesses.

Andrew has been a director of numerous private companies and not-for-profit organisations and currently is a director of Supra Capital, a Commissioner of the AFL and Chairman of Golf Australia.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Member of Audit, Risk and Compliance Management Committee & Remuneration and Nomination Committee

Interests in shares: 2,068,000

Joshua Fegan

Chief Executive Officer and Managing Director
B Bus (Management and Marketing)

Experience and expertise: Sales and Marketing Manager - Strathfield Group.

Joshua is the founder of Althea Group Holdings Limited and has extensive experience in business building, sales and marketing. He has a range of proven business and strategy skills and has previously held a number of senior management roles at national value-based retailer, Strathfield Group.

Joshua founded Althea Health and Wellbeing in 2016, coinciding with registration of the Narcotic Drugs Amendment Act 2016 (Cth) (ND Amendment Act), an Act to amend the Narcotic Drugs Act 1967 (Cth) (ND Act), legalising medicinal cannabis.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Remuneration and Nomination Committee

Interests in shares: 56,394,621

Interests in rights: 5,666,826

Alan Boyd

Independent Non-executive Director
BA (Econ), CA ANZ, GIA

Experience and expertise: For the last twelve years up to 26 August 2021, Alan was the Chief Financial Officer of Ridley Corporation Limited, an ASX-listed provider of high performance animal nutrition solutions. Prior to his role, Alan occupied the Chief Financial Officer and Company Secretary position with listed biotechnology companies Avexa Limited and Zenyth Therapeutics Limited and website pioneer Sausage Software Limited.

Alan started his professional career in chartered accounting firms in England and Australia and has broad financial experience across many industry sectors.

Other current directorships: None

Former directorships (last 3 years): None

Special responsibilities: Chair of Audit, Risk and Compliance Management Committee and member of Remuneration and Nomination Committee

Interests in shares: 418,182

Penelope Dobson

Independent Non-executive Director
MBA (MGSM)

Experience and expertise: Penny is an experienced global healthcare executive. She has worked in the broad life-science space since her training as a pharmacist in New Zealand, including many years in the global pharmaceutical industry. Penny is currently a Principal at Valida Consulting, offering a range of services to companies in the healthcare, Pharma, Biotech, not-for-profit, Device and Diagnostics sector.

Other current directorships: Australian Nuclear Science and Technology Organisation, Invetus Ltd

Former directorships (last 3 years): None

Special responsibilities: Chair of Remuneration and Nomination Committee and member of Audit, Risk and Compliance Management Committee

Interests in shares: 30,000

Former directorships (last 3 years) quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

COMPANY SECRETARY

Robert Meissner

Robert has held the role of Company Secretary since April 2019. He currently acts as the Chief Financial Officer of the consolidated entity and has held this position since October 2018. Robert was previously the Financial Controller for Village Cinemas, who are one of the leading cinema operators in Australia. Robert is a Certified Practising Accountant.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Newbold	14	14	2	2	5	5
Joshua Fegan	14	14	2	2	5	5
Alan Boyd	14	14	2	2	5	5
Penelope Dobson	14	14	2	2	5	5

Held: represents the number of meetings held during the time the Director held office.

REMUNERATION REPORT (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for the consolidated entity's Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Remuneration and Nomination Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

Non-executive Directors remuneration

Fees and payments to non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive Directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share options or other incentives.

Under the Company Constitution, the Board may decide the remuneration from Althea Group Holdings Limited to which each non-executive Director is entitled for their services as a Director. However, the total amount of fees paid to all non-executive directors for their services must not exceed in aggregate in any financial year the amount fixed by Althea Group Holdings Limited in a general meeting. The amount has been fixed at $400,000 per annum.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- long-term performance incentives through share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentive ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved. KPIs include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentive ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors. The Remuneration and Nomination Committee reviewed the long-term equity-linked performance incentives specifically for executives during the year ended 30 June 2021.

Consolidated entity performance and link to remuneration

Remuneration for the Chief Executive Officer and Company Secretary is directly linked to performance of the consolidated entity as the vesting of the performance rights offered is dependent on defined performance milestones being met. The remuneration for the remaining senior executives is not linked to the performance of the consolidated entity as all remuneration was fixed and consisted of base salary and its superannuation, where applicable.

Voting and comments made at the company's 2020 Annual General Meeting ('AGM')

At the 2020 AGM, the remuneration report for the year ended 30 June 2020 was put forward for shareholder approval with 99.56% votes in favour. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

DETAILS OF REMUNERATION

Amounts of remuneration

30 June 2021	Fixed Remuneration				Variable Remuneration					
	Cash salary	Super	Annual and Long Service Leave	Total Fixed Remuner-ation	STI Awarded[1]	LTI Fair Value Awarded[2]	LTI Fair Value Lapsed[3]	LTI Net Remuner-ation	Other[4]	Total Variable Remuner-ation
Non-Executive Directors:										
Andrew Newbold	108,219	10,281	-	**118,500**	-	-			-	-
Alan Boyd	54,795	5,205	-	**60,000**	-	-			-	-
Penelope Dobson	54,795	5,205	-	**60,000**	-	-			-	-
	217,809	20,691	-	**238,500**	-	-			-	-
Executive Directors:										
Joshua Fegan	415,000	25,000	45,280	**485,280**	133,906	685,455	(17,973)	667,482	179,581	**980,969**
Other Key Management Personnel:										
Robert Meissner	276,125	25,000	19,437	**320,562**	32,807	133,271	(46,479)	86,792	-	**119,599**
	908,934	70,691	64,717	**1,044,342**	166,713	818,726	(64,452)	754,274	179,581	**1,100,568**

[1] Represents short term incentives awarded and accrued in relation to actual performance during the 2021 financial year. This includes performance rights granted as remuneration that are valued at grant date in accordance with AASB 2 Share-based Payment and amortised over vesting period.

[2] Represents the fair value of performance rights granted as remuneration at grant date in accordance with AASB 2 Share-based Payment and amortised over vesting period.

[3] Represents the fair values of performance rights due to vest on 30 June 2021, however lapsed due to not meeting performance conditions.

[4] Other variable remuneration is composed of relocation costs paid during the 2021 financial year.

30 June 2020	Fixed Remuneration				Variable Remuneration					
	Cash salary	Super	Annual and Long Service Leave	Total Fixed Remuner-ation	STI Awarded[1]	LTI Fair Value Awarded[2]	LTI Fair Value Lapsed[3]	LTI Net Remuner-ation	Other[4]	Total Variable Remuner-ation
Non-Executive Directors:										
Andrew Newbold	81,492	7,742	-	**89,234**	-	-			-	-
Alan Boyd	37,557	3,568	-	**41,125**	-	-			-	-
Penelope Dobson	37,557	3,568	-	**41,125**	-	-			-	-
	156,606	14,878	-	**171,484**	-	-			-	-
Executive Directors:										
Joshua Fegan	375,000	25,000	4,327	**404,327**	150,336	22,628	(492,534)	(469,906)	-	**(319,570)**
Other Key Management Personnel:										
Robert Meissner	230,000	21,850	9,423	**261,273**	82,302	75,945	-	75,945	-	**158,247**
	761,606	61,728	13,750	**837,084**	232,638	98,573	(492,534)	(393,961)	-	**(161,323)**

[1] Represents short term incentives awarded and accrued in relation to actual performance during the 2020 financial year. This includes performance rights granted as remuneration that are valued at grant date in accordance with AASB 2 Share-based Payment and amortised over vesting period.

[2] Represents the fair value of performance rights granted as remuneration at grant date in accordance with AASB 2 Share-based Payment and amortised over vesting period.

[3] Represents the fair values of performance rights due to vest on 30 June 2020, however lapsed due to not meeting performance conditions.

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

	Fixed remuneration		At risk - STI and Other		At risk - LTI Awarded		At risk - LTI Lapsed	
NAME	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Non-Executive Directors:								
Andrew Newbold	100%	100%	-	-	-	-	-	-
Alan Boyd	100%	100%	-	-	-	-	-	-
Penelope Dobson	100%	100%	-	-	-	-	-	-
Executive Directors:								
Joshua Fegan	33%	477%	21%	177%	47%	27%	(1%)	(581%)
Other Key Management Personnel:								
Robert Meissner	73%	62%	7%	20%	30%	18%	(10%)	-

SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Joshua Fegan
Title:	Chief Executive Officer and Managing Director
Term of agreement	No fixed term
Details:	Either the Company or Joshua may terminate the agreement by giving 3 months' notice, during which period the Company may request that he cease work, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious or persistent misconduct or for breaches of certain clauses of the agreement, including misuse of confidential information. Joshua's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment.

Name:	Robert Meissner
Title:	Chief Financial Officer & Company Secretary
Term of agreement	No fixed term
Details:	Either the Company or Robert may terminate the agreement by giving 3 months' notice, during which period the Company may request that he cease work, but must provide remuneration for the entire period. The Company may also terminate his engagement without notice in circumstances involving serious and persistent misconduct or breaches of certain clauses of the agreement, for example misuse of confidential information. Robert's agreement includes a restraint on working for a competitor for up to 6 months after ceasing employment.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

SHARE-BASED COMPENSATION

Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2021.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

NAME	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Joshua Fegan (Class D)[1,3]	176,201	27 November 2019	30 June 2021	27 November 2034	$1.113	$0.102
Joshua Fegan (Class E)[1]	176,201	27 November 2019	30 June 2022	27 November 2034	$1.296	$0.143
Joshua Fegan (Class H)[1]	390,625	26 November 2020	30 June 2023	26 November 2035	$0.548	$0.345
Robert Meissner (Class B)[1,3]	71,949	1 July 2019	30 June 2021	30 June 2034	$1.113	$0.646
Robert Meissner (Class C)[1]	71,949	1 July 2019	30 June 2022	30 June 2034	$1.296	$0.675
Robert Meissner (Class F)[1]	1,000,000	6 May 2020	30 June 2022	6 May 2035	$0.443	$0.262
Robert Meissner (Class G)[1]	190,972	1 July 2020	30 June 2023	30 June 2035	$0.548	$0.225
Joshua Fegan (Class I)[2]	5,100,000	1 December 2020	30 November 2022	30 November 2022	$0.000	$0.515

[1] The performance metric for vesting of the above Class B-H performance rights is absolute total shareholder return (ATSR) on a compound annual growth rate (CAGR) basis tested over the Measurement Period. ATSR takes into account the difference in share price over the Measurement Period, as well as any dividends (assumed to be reinvested) and other capital adjustments.

[2] The performance metric for vesting of the above Class I performance rights is the achievement of a minimum $30,000,000 in consolidated group revenue in any 12 month rolling period within the performance period.

[3] The performance rights vesting on 30 June 2021 did not meet the required performance measurement hurdles for the rights to vest and/or be exercised.

Performance rights granted carry no dividend or voting rights.

Details of performance rights over ordinary shares granted, vested and lapsed for Directors and other key management personnel as part of compensation during the year ended 30 June 2021 are set out below:

NAME	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Value of rights vested $	Number of rights lapsed $	Value of rights lapsed $
Joshua Fegan (Class D)	27 November 2019	30 June 2021	176,201	17,973	-	176,201	(17,973)
Joshua Fegan (Class E)	27 November 2019	30 June 2022	176,201	14,701	-	-	-
Joshua Fegan (Class H)	26 November 2020	30 June 2023	390,625	29,232	-	-	-
Joshua Fegan (Class I)	1 December 2020	30 November 2022	5,100,000	646,177	-	-	-
Robert Meissner (Class B)	1 July 2019	30 June 2021	71,949	46,479	-	71,949	(46,479)
Robert Meissner (Class C)	1 July 2019	30 June 2022	71,949	25,902	-	-	-
Robert Meissner (Class F)	6 May 2020	30 June 2022	1,000,000	126,112	-	-	-
Robert Meissner (Class G)	1 July 2020	30 June 2023	190,972	10,723	-	-	-

ADDITIONAL INFORMATION

The earnings of the consolidated entity for the four years to 30 June 2021 are summarised below:

	2021 $'000	2020 $'000	2019 $'000	2018 $'000
Sales revenue	11,540	5,062	767	11
EBITDA	(12,855)	(13,434)	(8,827)	(1,875)
EBIT	(14,869)	(14,282)	(8,875)	(1,875)
Loss after income tax	(15,046)	(14,768)	(8,675)	(1,871)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018
Share price at financial year end ($)	0.31	0.32	1.01	-
Basic loss per share (cents per share)	(6.05)	(6.42)	(5.11)	(35,764.06)

ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

Shareholding

The number of shares in the company held during the financial year by each Director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/other	Balance at the end of the year
Ordinary shares					
Andrew Newbold	2,068,000	-	-	-	2,068,000
Joshua Fegan	56,394,621	-	-	-	56,394,621
Alan Boyd	350,000	-	68,182	-	418,182
Penelope Dobson	30,000	-	-	-	30,000
	58,842,621	-	**68,182**	-	**58,910,803**

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each Director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Lapsed[1]	Expired/ forfeited/other	Balance at the end of the year
Ordinary shares					
Joshua Fegan	5,100,000	5,843,027	(5,276,201)	-	5,666,826
Robert Meissner	-	1,498,493	(71,949)	-	1,426,544
	5,100,000	**7,341,520**	**(5,348,150)**	-	**7,093,370**

[1] Performance rights due to vest on 30 June 2021 however lapsed due to not meeting performance conditions.

This concludes the remuneration report, which has been audited.

SHARES UNDER OPTION

Unissued ordinary shares of Althea Group Holdings Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
21 September 2018	21 September 2022	$0.200	2,675,000

The 2,675,000 unlisted Pre-IPO Consultant Options exercisable at $0.20 each on or before 21 September 2022 are classified by the ASX as restricted securities to be held in escrow until 21 September 2021.

Disposal Restrictions

The Pre-IPO Consultant Options must not be sold, transferred, assigned, mortgaged or otherwise dealt with except in the event of death or legal incapacity of a Pre-IPO Consultant, in which case they may be transferred to the relevant Pre-IPO Consultant's estate or legal personal representative.

Any shares received on exercise of the Pre-IPO Consultants Options must not be sold, transferred, assigned, mortgaged or otherwise dealt with (including entering into any agreement with respect to voting rights) until 21 September 2021.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of Althea Group Holdings Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
1 July 2019	1 July 2034	$0.000	511,267
27 November 2019	27 November 2034	$0.000	176,201
6 May 2020	6 May 2035	$0.000	5,750,000
1 July 2020	1 July 2035	$0.000	1,919,617
26 November 2020	26 November 2035	$0.000	390,625
1 December 2020[1]	1 December 2035	$0.000	5,100,000
			13,847,710

[1] The 5,100,000 performance rights issued to Mr Joshua Fegan under the Company's LTI Plan were approved for issue under ASX Listing Rule 10.14.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of Althea Group Holdings Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

The company has indemnified the Directors and executives of the company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the Directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional

Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF RSM AUSTRALIA PARTNERS

There are no officers of the company who are former partners of RSM Australia Partners.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

AUDITOR'S INDEPENDENCE DECLARATION

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

AUDITOR

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

CORPORATE GOVERNANCE STATEMENT

The Board has created a framework for managing Althea, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Althea's business and which are designed to promote the responsible management and conduct of Althea. A copy of Althea's Corporate Governance Statement can be found on their website www.althea.life.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Andrew Newbold

Chairman

30 August 2021

Auditor’s independence declaration

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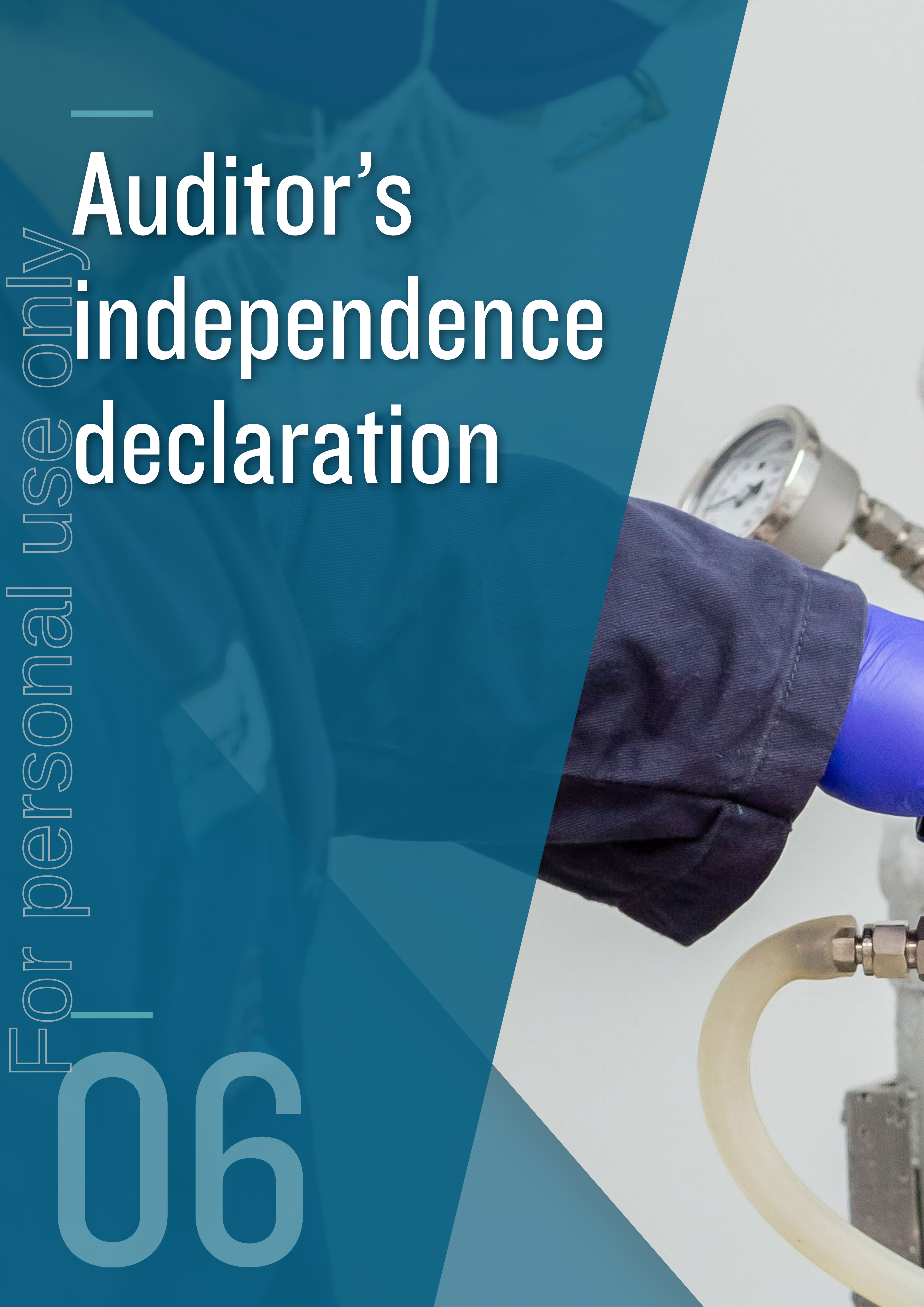


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RSM

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Althea Group Holdings Limited for the year ended 30 June 2021 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 30 August 2021
Melbourne, Victoria


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Financial report

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Consolidated statement of profit or loss and other comprehensive income

		Consolidated	
REVENUE	**Note**	**30 June 2021 $'000**	**30 June 2020 $'000**
Revenue from continuing activities	5	11,540	5,062
Cost of goods sold	6	(5,784)	(2,159)
Gross profit		5,756	2,903
Interest income		8	216
EXPENSES			
Employee benefits expense	6	(13,112)	(6,213)
Depreciation and amortisation expense	6	(2,014)	(848)
General and administrative expenses	6	(1,601)	(1,821)
Distribution expenses		(1,173)	(768)
Marketing expenses		(1,295)	(2,717)
Professional services	6	(1,490)	(3,201)
Finance costs	6	(185)	(704)
Foreign exchange gain/ (loss)	6	60	(1,615)
Total expenses		**(20,810)**	**(17,887)**
Loss before income tax expense		(15,046)	(14,768)
Income tax expense	7	-	-
Loss after income tax expense for the year		**(15,046)**	**(14,768)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(172)	421
Other comprehensive (loss)/income for the year, net of tax		(172)	421
Total Comprehensive loss for the year		**(15,218)**	**(14,347)**
		Cents	**Cents**
Basic loss per share	35	(6.05)	(6.42)
Diluted loss per share	35	(6.05)	(6.42)

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

Consolidated statement of financial position

		Consolidated	
ASSETS	**Note**	**30 June 2021 $'000**	**Restated 30 June 2020 $'000**
Current assets			
Cash and cash equivalents	8	6,388	10,143
Trade and other receivables	9	2,683	1,388
Inventories	10	5,213	2,231
Other	11	600	1,618
Total current assets		**14,884**	**15,380**
Non-current assets			
Other financial assets	12	349	285
Property, plant and equipment	13	14,949	14,126
Right-of-use assets	14	3,794	2,665
Intangibles	15	19,936	19,925
Total non-current assets		**39,028**	**37,001**
Total assets		**53,912**	**52,381**
LIABILITIES			
Current liabilities			
Trade and other payables	16	5,308	2,944
Lease liabilities	17	54	178
Provisions	18	634	313
Other	19	762	75
Total current liabilities		**6,758**	**3,510**
Non-current liabilities			
Lease liabilities	20	3,995	2,543
Provisions	21	38	-
Other	22	425	206
Total non-current liabilities		**4,458**	**2,749**
Total liabilities		**11,216**	**6,259**
Net assets		**42,696**	**46,122**
EQUITY			
Issued capital	23	68,046	54,403
Reserves	24	14,770	17,033
Accumulated losses	25	(40,120)	(25,314)
Total equity		**42,696**	**46,122**

Refer to note 3 for detailed information on Restatement of comparatives.

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

Consolidated statement of changes in equity

CONSOLIDATED	Issued capital $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Restated deferred consideration reserve $'000	Accumulated losses $'000	Restated total equity $'000
Balance at 1 July 2019	25,732	1,841	25	-	(10,546)	17,052
Loss after income tax expense for the year	-	-	-	-	(14,768)	(14,768)
Other comprehensive income for the year, net of tax	-	-	421	-	-	421
Total comprehensive income/(loss) for the year	**-**	**-**	**421**	**-**	**(14,768)**	**(14,347)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	28,671	-	-	-	-	28,671
Performance rights expense	-	(493)	-	-	-	(493)
Exchangeable shares issued on achievement of acquisition milestones	-	-	-	17,134	-	17,134
Adjustment for correction of error (note 3)	-	-	-	(1,895)	-	(1,895)
Balance at 30 June 2020	**54,403**	**1,348**	**446**	**15,239**	**(25,314)**	**46,122**

Refer to note 3 for detailed information on Restatement of comparatives.

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

Consolidated statement of changes in equity (continued)

CONSOLIDATED	Issued capital $'000	Share based payment reserve $'000	Foreign currency translation reserve $'000	Restated deferred consideration reserve $'000	Accumulated losses $'000	Restated total equity $'000
Balance at 1 July 2020	54,403	1,348	446	15,239	(25,314)	46,122
Loss after income tax expense for the year	-	-	-	-	(15,046)	(15,046)
Other comprehensive income for the year, net of tax	-	-	(172)	-	-	(172)
Total comprehensive loss for the year	**-**	**-**	**(172)**	**-**	**(15,046)**	**(15,218)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	9,270	-	-	-	-	9,270
Performance rights expense	-	2,076	-	-	-	2,076
Exchangeable shares issued on acquisition	4,373	-	-	(4,373)	-	-
Performance rights re-classified during the year	-	446	-	-	-	446
Lapsed rights transferred to retained earnings during the year	-	(240)	-	-	240	-
Balance at 30 June 2021	**68,046**	**3,630**	**274**	**10,866**	**(40,120)**	**42,696**

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

Consolidated statement of cash flows

		Consolidated	
CASH FLOWS FROM OPERATING ACTIVITIES	**Note**	**30 June 2021 $'000**	**30 June 2020 $'000**
Receipts from customers (inclusive of GST)		11,511	4,563
Payments to suppliers and employees (inclusive of GST)		(21,779)	(18,855)
Interest received		8	216
Interest paid		(185)	(162)
Net cash used in operating activities	34	**(10,445)**	**(14,238)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business, net of cash acquired		-	(1,651)
Payment for expenses relating to acquisitions		-	(806)
Payments for property, plant and equipment	13	(1,793)	(9,934)
Payments for intangibles	15	(610)	(1,748)
Net cash used in investing activities		**(2,403)**	**(14,139)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs	23	9,269	28,672
Proceeds from borrowings		115	45
Loans to other entities		-	(1,423)
Payment of bank guarantee		(64)	(49)
Repayment of borrowings		-	(3,315)
Repayment of lease liabilities		(138)	(157)
Net cash from financing activities		**9,182**	**23,773**
Net decrease in cash and cash equivalents		(3,666)	(4,604)
Cash and cash equivalents at the beginning of the financial year		10,143	14,918
Effects of exchange rate changes on cash and cash equivalents		(89)	(171)
Cash and cash equivalents at the end of the financial year	8	**6,388**	**10,143**

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

Notes to the consolidated financial statements

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 1. Significant accounting policies (continued)

For personal use only

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

PARENT ENTITY INFORMATION

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Althea Group Holdings Limited ('company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Althea Group Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

OPERATING SEGMENTS

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM, who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board of Directors.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars ("AUD"), which is Althea Group Holdings Limited's functional and presentation currency. The major controlled entities of Althea Group Holdings Limited have Australian dollars ("AUD"), British pound ("GBP") and Canadian dollars ("CAD") as their functional currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 1. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is measured at fair value of the consideration received or receivable and is shown net of sales taxes (GST, VAT and HST) and recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

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

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Note 1. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where (i) there is a legal enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and (ii) they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Althea Group Holdings Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

R&D TAX INCENTIVE

Grants that compensate the consolidated entity for expenditures incurred are recognised in profit or loss on a systematic basis in the periods in which the expenditures are recognised. R&D tax offset receivables will be recognised in profit before tax and depreciation and amortised over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate. Such periods will depend on whether the R&D costs are capitalised or expensed as incurred. For R&D costs that have been capitalised, the grants related to those assets have been deferred and will be recognised over the useful economic life of the asset.

CURRENT AND NON-CURRENT CLASSIFICATION

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that trade and other receivables have been impaired. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Credit losses are recognised in profit or loss.

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

INVENTORIES

Raw materials, work in progress and finished goods are 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, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 1. Significant accounting policies (continued)

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset, unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 1. Significant accounting policies (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Capital works (in progress)
Not depreciated in the financial year

Buildings
10-25 years

Plant and equipment
2-10 years

Computer equipment
2-5 years

Office equipment
2-10 years

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

RIGHT-OF-USE ASSETS

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

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

Note 1. Significant accounting policies (continued)

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

INTANGIBLE ASSETS

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

During the reporting period, the consolidated entity capitalised costs associated with the development of software. Software has a finite life and is carried at cost less any accumulated amortisation and any impairment losses. Amortisation has commenced for implementation of software that has been completed and ready for use. Software that is not ready for use is capitalised as work in progress and transferred to another class of assets on the date of completion. Software is amortised over its useful life ranging from 2 to 5 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the

Note 1. Significant accounting policies (continued)

carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

LEASE LIABILITIES

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

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

EMPLOYEE BENEFITS

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled

Note 1. Significant accounting policies (continued)

within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Note 1. Significant accounting policies (continued)

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity settled awards are cancelled, they are treated as if they have vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The calculation assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

There are no assets held at fair value on a recurring or non-recurring basis.

ISSUED CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 1. Significant accounting policies (continued)

EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of Althea Group Holdings Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

ROUNDING OF AMOUNTS

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

COVID-19 pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent

Note 2. Critical accounting judgements, estimates and assumptions (continued)

sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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

Estimation of useful lives of assets

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

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Incremental borrowing rate

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Restatement of comparatives

Correction of error

An error was discovered in the foreign exchange translation when performing the acquisition accounting of Peak Processing Solutions, which occurred in the financial year ending 30 June 2020. As a consequence, the goodwill on acquisition and deferred consideration reserve was overstated by $1,895,075. The extracts (being only those line items affected) are disclosed below and were also reported in the company's December 2020 half year financial report.

Statement of financial position at the end of the earliest comparative period

	Consolidated		
EXTRACT	30 June 2020 $'000 Reported	$'000 Adjustment	30 June 2020 $'000 Restated
ASSETS			
Non-current assets			
Intangibles	21,820	(1,895)	19,925
Total non-current assets	38,896	(1,895)	37,001
Total Assets	**54,276**	**(1,895)**	**52,381**
Net Assets	**48,017**	**(1,895)**	**46,122**
Equity			
Deferred consideration reserve	18,928	(1,895)	17,033
Total equity	**48,017**	**(1,895)**	**46,122**

Note 4. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into four operating segments: Australia, United Kingdom, Canada and other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Note 4. Operating segments (continued)

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

Intersegment transactions

Intersegment transactions were made at market rates and are eliminated on consolidation.

Intersegment receivables, payables and loans

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

Major customers

During the year ended 30 June 2021 approximately 2% (2020: 15%) of the consolidated entity's external revenue was derived from sales to one customer.

Operating segment information

CONSOLIDATED - 30 June 2021	Australia $'000	United Kingdom $'000	Canada $'000	Other $'000	Intersegment eliminations $'000	Total $'000
Revenue						
Sales to external customers	8,402	1,572	1,604	133	(638)	11,073
Other revenue	388	-	79	-	-	467
Interest revenue	7	-	1	-	-	8
Total revenue	**8,797**	**1,572**	**1,684**	**133**	**(638)**	**11,548**
EBITDA	(8,471)	(3,581)	(3,193)	(8)	2,398	(12,855)
Depreciation and amortisation expense	(968)	(45)	(1,001)	-	-	(2,014)
Interest revenue	174	-	1	-	(166)	9
Finance costs	(179)	(171)	(1)	-	166	(185)
Loss before income tax expense	(9,444)	(3,797)	(4,194)	(8)	2,398	(15,046)
Income tax expense						-
Loss after income tax expense						**(15,046)**
ASSETS						
Segment assets	59,477	1,653	6,377	-	(13,595)	53,912
Total assets						**53,912**
LIABILITIES						
Segment liabilities	7,870	10,077	2,326	-	(9,057)	11,216
Total liabilities						**11,216**

Note 4. Operating segments (continued)

RESTATED CONSOLIDATED - 30 June 2020	Australia $'000	United Kingdom $'000	Canada $'000	Intersegment eliminations $'000	Total $'000
Revenue					
Sales to external customers	4,903	74	218	(224)	4,971
Other revenue	91	-	-	-	91
Interest revenue	691	-	1	(476)	216
Total revenue	**5,685**	**74**	**219**	**(700)**	**5,278**
EBITDA	(8,041)	(3,739)	(1,653)	(1)	(13,434)
Depreciation and amortisation expense	(690)	(10)	(148)	-	(848)
Interest revenue	691	-	1	(476)	216
Finance costs	(164)	(140)	(871)	473	(702)
Loss before income tax expense	(8,204)	(3,889)	(2,671)	(4)	(14,768)
Income tax expense					-
Loss after income tax expense					**(14,768)**
ASSETS					
Segment assets	46,656	467	15,163	(9,905)	52,381
Total assets					**52,381**
LIABILITIES					
Segment liabilities	4,841	5,846	1,081	(5,509)	6,259
Total liabilities					**6,259**

Note 5. Revenue

	Consolidated	
FROM CONTINUING OPERATIONS	**30 June 2021 $'000**	**30 June 2020 $'000**
Revenue from contracts with customers		
Sale of goods	11,145	4,930
Rendering of services	395	132
Total revenue from continuing operations	**11,540**	**5,062**

Disaggregation of revenue

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

	Consolidated	
	30 June 2021 $'000	**30 June 2020 $'000**
Sales Channels		
Goods sold directly to registered pharmacies and consumers	9,812	4,434
Goods sold through intermediaries	1,261	537
Other income	467	91
	11,540	**5,062**
Geographical regions		
Australia	8,924	4,955
United Kingdom	1,100	102
Canada	1,516	5
	11,540	**5,062**
Timing of revenue recognition		
Goods transferred at a point in time	11,145	4,930
Services transferred over time	395	132
	11,540	**5,062**

Note 6. Expenses

LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	Consolidated 30 June 2021 $'000	30 June 2020 $'000
Cost of goods sold		
Cost of goods sold	5,566	2,086
Stock write-offs recorded during the year	218	73
Total cost of goods sold	**5,784**	**2,159**
Employee benefits expense		
Employee benefits expense	11,036	6,706
Share-based employee expense	2,076	(493)
Total employee benefits expense	**13,112**	**6,213**
Depreciation and amortisation		
Property, plant and equipment depreciation	1,075	185
Buildings right-of-use assets depreciation	338	303
Intangible assets amortisation	601	360
Total depreciation and amortisation	**2,014**	**848**
General and administrative expenses		
Insurance	671	242
Licenses and permits	194	265
Share registry and ASX compliance costs	213	67
Other expenses	523	1,247
Total General and administrative expenses	**1,601**	**1,821**
Professional services		
Accounting and taxation services	181	230
Consulting services	1,149	1,892
Legal fees	160	288
Acquisition related professional fees	-	749
Other professional fees	-	42
Total professional services	**1,490**	**3,201**
Finance costs		
Interest and finance charges paid/payable on borrowings	2	552
Interest and finance charges paid/payable on lease liabilities	183	152
Total finance costs expensed	**185**	**704**
Net foreign exchange (gain)/ loss		
Unrealised foreign exchange (gain)/ loss	(168)	1,450
Realised foreign exchange loss	108	165
Total net foreign exchange (gain)/ loss	**(60)**	**1,615**

Note 7. Income tax expense

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Reconciliation of income tax benefit and tax at the average rate		
Loss before income tax expense	(15,046)	(14,768)
Tax at the average tax rate of 26% (2020: 27.5%)	(3,912)	(4,061)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	479	(136)
Research and development expenditure	12	142
Sundry items	(271)	579
	(3,692)	(3,476)
Current year tax losses not recognised	3,424	3,146
Difference in overseas tax rates	268	330
Income tax expense	-	-

Total carried forward tax losses not recognised as at 30 June 2021 amount to $34,036,992.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Cash at bank	6,388	10,143

Note 9. Current assets - trade and other receivables

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Trade receivables	2,490	801
Less: Allowance for expected credit losses	(74)	(37)
	2,416	**764**
Other receivables	267	312
R&D tax incentive receivable	-	312
	2,683	**1,388**

Allowance for expected credit losses

The consolidated entity has recognised a loss of $37,000 (2020: loss of $37,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
CONSOLIDATED	30 June 2021 %	30 June 2020 %	30 June 2021 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2020 $'000
Current	-	-	2,348	-	-	-
1-30 days overdue	13%	-	73	677	9	-
31- 60 days overdue	73%	-	10	31	7	-
61- 90 days overdue	93%	-	-	56	-	-
Over 91 days overdue	98%	100%	59	37	58	37
			2,490	**801**	**74**	**37**

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Opening balance	37	-
Additional provisions recognised	37	37
Closing balance	**74**	**37**

Note 10. Current assets - inventories

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Raw materials - at cost	2,016	900
Work in progress - at cost	751	2
Finished goods - at cost	1,866	1,106
Less: Provision for impairment	(62)	-
	1,804	**1,106**
Packaging and supplies	642	223
	5,213	**2,231**

Note 11. Current assets - other

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Prepayments	600	1,618

Note 12. Non-current assets - other financial assets

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Security deposits	349	285

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Land - at cost	605	600
Buildings - at cost	8,834	2,399
Less: Accumulated depreciation	(474)	(102)
	8,360	2,297
Asset under construction - at cost	1,818	7,331
Plant and equipment - at cost	3,723	3,008
Less: Accumulated depreciation	(492)	(9)
	3,231	2,999
Computer equipment - at cost	586	381
Less: Accumulated depreciation	(236)	(66)
	350	315
Office equipment - at cost	713	628
Less: Accumulated depreciation	(128)	(44)
	585	584
	14,949	**14,126**

Note 13. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	Land & Buildings $'000	Asset under construction $'000	Plant and Equipment $'000	Computer Equipment $'000	Office Equipment $'000	Total $'000
Balance at 1 July 2019	-	1,011	-	45	2	1,058
Additions	-	6,568	2,379	341	646	9,934
Additions through business combinations	3,121	-	823	5	-	3,949
Exchange differences	(158)	(248)	(194)	(12)	(19)	(631)
Depreciation expense	(66)	-	(9)	(64)	(45)	(184)
Balance at 30 June 2020	2,897	7,331	2,999	315	584	14,126
Additions	691	149	676	199	78	1,793
Exchange differences	76	-	24	2	3	105
Transfers in/(out)	5,662	(5,662)	-	-	-	-
Depreciation expense	(361)	-	(468)	(166)	(80)	(1,075)
Balance at 30 June 2021	**8,965**	**1,818**	**3,231**	**350**	**585**	**14,949**

Note 14. Non-current assets - right-of-use assets

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Land and buildings - right-of-use	4,434	2,968
Less: Accumulated depreciation	(640)	(303)
	3,794	**2,665**

Additions to the right-of-use assets during the year were $1,466,000 (2020: $2,968,000).

The consolidated entity leases land and buildings for its offices and cultivation and manufacturing sites under agreements of between six to thirty years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity also leases land and buildings under agreements less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 15. Non-current assets - intangibles

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Goodwill	17,737	17,737
Website - at cost	280	190
Less: Accumulated amortisation	(79)	(27)
	201	163
Patents and trademarks - at cost	91	63
Less: Accumulated amortisation	(9)	-
	82	63
Software - at cost	2,307	2,115
Less: Accumulated amortisation	(920)	(377)
	1,387	1,738
Intellectual Property - at cost	529	224
	19,936	**19,925**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

CONSOLIDATED	Goodwill $'000	Website $'000	Patents and trademarks $'000	Software $'000	Intellectual property $'000	Total $'000
Balance at 1 July 2019	-	59	-	706	-	765
Additions	-	97	63	1,364	224	1,748
Additions through business combinations	17,737	42	-	-	-	17,779
Exchange differences	-	(7)	-	-	-	(7)
Amortisation expense	-	(28)	-	(332)	-	(360)
Balance at 30 June 2020	17,737	163	63	1,738	224	19,925
Additions	-	88	27	190	305	610
Exchange differences	-	1	-	1	-	2
Amortisation expense	-	(51)	(8)	(542)	-	(601)
Balance at 30 June 2021	**17,737**	**201**	**82**	**1,387**	**529**	**19,936**

Note 15. Non-current assets - intangibles (continued)

Impairment testing

Goodwill acquired through business combinations has been allocated to the following cash-generating units:

	Consolidated	
	30 June 2021 $'000	Restated 30 June 2020 $'000
2682130 Ontario Limited ("Peak Processing Solutions")	17,737	17,737

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

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

The following key assumptions were used in the discounted cash flow model for Peak Processing Solutions business:

- 30.5% pre-tax discount rate;
- Accelerated revenue growth of 86% in year 2 representing expected volume growth from contracts executed with customers as at 30 June 2021;
- Stabilised and conservative projected revenue growth rate of 2% per annum from year 3 onwards;
- Gradual improvement in gross margins and EBITDA percentage of 20% in year 2 increasing to 30% per annum from year 3 onwards; and
- 2% terminal growth rate.

The discount rate of 30.5% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital adjusted for the Peak Processing Solutions division, the risk free rate and the volatility of the share price relative to market movements.

Management believe projected revenue growth rates to be justified based on the rapid growth expected over years 1-3 post licensing, with revenues stabilising after year 3 as the market contracts with increased competition. Management expect improvements in gross margins and EBITDA as production volumes increase and efficiencies are gained.

There were no other key assumptions for the Peak Processing Solutions business.

Based on the above, the recoverable amount of the Peak Processing Solutions business exceeded the carrying amount by CAD$8,759,000.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should

Note 15. Non-current assets - intangibles (continued)

these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Forecasted cash flows would need to decrease by more than 40% for the Peak Processing Solutions business before the goodwill would need to be impaired, with all other assumptions remaining constant.
- The discount rate would be required to increase by more than 9% for the Peak Processing Solutions business before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believe that other reasonable changes in the key assumptions on which the recoverable amount of the Peak Processing Solutions business goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Note 16. Current liabilities - trade and other payables

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Trade payables	3,225	1,742
Other payables	2,083	1,202
	5,308	**2,944**

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - lease liabilities

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Lease liability	54	178

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - provisions

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Annual leave	634	313

Note 19. Current liabilities - other

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Subsidies and grants received in advance	762	75

Note 20. Non-current liabilities - lease liabilities

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Lease liability	3,995	2,543

Refer to note 26 for further information on financial instruments.

Note 21. Non-current liabilities - provisions

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Long service leave	38	-

Note 22. Non-current liabilities - other

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Subsidies and grants received in advance	239	135
Other non-current liabilities	186	71
	425	**206**

Note 23. Equity - issued capital

	Consolidated			
	30 June 2021 Shares	30 June 2020 Shares	30 June 2021 $'000	30 June 2020 $'000
Ordinary shares - fully paid	262,373,621	233,310,000	68,046	54,403

Movements in ordinary share capital

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 Jul 2019	203,310,000		25,732
Placement	9 Aug 2019	29,790,000	$1.000	29,790
Placement	22 Oct 2019	210,000	$1.000	210
Capital raising costs		-	$0.000	(1,329)
Balance	30 Jun 2020	233,310,000		54,403
Exchangeable shares	6 Nov 2020	6,834,075	$0.640	4,374
Placement	18 Dec 2020	13,636,364	$0.440	6,000
Capital raising costs	21 Dec 2020	-	$0.000	(379)
Share purchase plan	27 Jan 2021	8,593,182	$0.440	3,781
Capital raising costs	27 Jan 2021	-	$0.000	(133)
Balance	**30 June 2021**	**262,373,621**		**68,046**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 23. Equity - issued capital (continued)

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 2020 Annual Report.

Note 24. Equity - reserves

	Consolidated	
	30 June 2021 $'000	Restated 30 June 2020 $'000
Foreign currency reserve	274	446
Share-based payment reserve	3,630	1,348
Deferred consideration reserve	10,866	15,239
	14,770	**17,033**

Note 24. Equity - reserves (continued)

Foreign currency reserve

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

Deferred consideration reserve

Deferred consideration reserve represents the fair value of contingent consideration that arose on acquisition of Peak Processing Solutions. As part of the consideration paid, 25,853,644 exchangeable shares were issued contingent on performance milestones being achieved. The fair value was determined with reference to the share price of Althea Group Holdings Ltd at date of acquisition and corresponding earn-out probabilities. The exchangeable shares have an expiry no later than 31 May 2023. During the period, 6,834,075 exchangeable shares were converted to ordinary capital following Peak Processing successfully being granted a Canadian Cannabis Processor Licence.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

CONSOLIDATED	Foreign currency translation reserve $'000	Share-based payment reserve $'000	Restated Deferred consideration reserve $'000	Total $'000
Balance at 1 July 2019	25	1,841	-	1,866
Foreign currency translation	421	-	-	421
Contingent consideration on business combination	-	-	17,134	17,134
Reversal of performance rights	-	(493)	-	(493)
Restatement of comparative	-	-	(1,895)	(1,895)
Balance at 30 June 2020	446	1,348	15,239	17,033
Foreign currency translation	(172)	-	-	(172)
Exchangeable shares converted to ordinary capital	-	-	(4,373)	(4,373)
Share based payments re-classified during the year	-	446	-	446
Share based payments expensed during the year	-	2,076	-	2,076
Lapsed rights transferred to retained earnings during the year	-	(240)	-	(240)
Balance at 30 June 2021	**274**	**3,630**	**10,866**	**14,770**

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Note 25. Equity - accumulated losses

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Accumulated losses at the beginning of the financial year	(25,314)	(10,546)
Loss after income tax expense for the year	(15,046)	(14,768)
Transfer from share-based payment reserve	240	-
Accumulated losses at the end of the financial year	**(40,120)**	**(25,314)**

Note 26. Financial instruments

FINANCIAL RISK MANAGEMENT OBJECTIVES

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by the Chief Financial Officer ('Finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

MARKET RISK

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 26. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Exposure to foreign currency risk may result in the fair value of future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian dollar functional currency of the consolidated entity.

The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Australian dollars				
Pound Sterling	1.8350	1.8147	1.8403	1.7965
Canadian dollars	1.0707	1.0699	1.0748	1.0661
US dollars	1.3094	1.4505	1.3334	1.4511
Euros	1.5762	1.6324	1.5802	1.6320

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	30 June 2021 $'000	30 June 2020 $'000	30 June 2021 $'000	30 June 2020 $'000
US dollars	-	-	(52)	(187)
Euros	-	-	(22)	-
Pound Sterling	276	-	(62)	(13)
Canadian dollars	2	1,294	(202)	-
	278	**1,294**	**(338)**	**(200)**

Note 26. Financial instruments (continued)

The consolidated entity had net liabilities denominated in foreign currencies of $60,000 (assets of $278,000 less liabilities of $338,000) as at 30 June 2021 (2020: net assets of $1,094,000 (assets of $1,294,000 less liabilities of $200,000)). Based on this exposure, had the Australian dollar weakened by 5%/ strengthened by 5% against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been $3,000 lower/$3,000 higher (2020: $1,000 lower/$1,000 higher) and equity would have been $100 lower/$100 higher (2020: $55,000 lower/$55,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2021 was $60,000 (2020: loss of $1,615,000).

PRICE RISK

The consolidated entity is not exposed to any significant price risk.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 26. Financial instruments (continued)

LIQUIDITY RISK

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

CONSOLIDATED - 30 June 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	3,225	-	-	-	3,225
Other payables	-	2,083	-	-	-	2,083
Interest-bearing - variable						
Lease liability	5.00%	270	189	613	7,567	8,639
Total non-derivatives		**5,578**	**189**	**613**	**7,567**	**13,947**

CONSOLIDATED - 30 June 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
NON-DERIVATIVES						
Non-interest bearing						
Trade payables	-	1,742	-	-	-	1,742
Other payables	-	1,202	-	-	-	1,202
Interest-bearing - variable						
Lease liability	5.00%	320	202	365	4,819	5,706
Total non-derivatives		**3,264**	**202**	**365**	**4,819**	**8,650**

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 26. Financial instruments (continued)

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

	30 June 2021		30 June 2020	
CONSOLIDATED	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Assets				
Cash at bank	6,388	6,388	10,143	10,143
Trade receivables	2,416	2,416	764	764
Other receivables	267	267	312	312
	9,071	**9,071**	**11,219**	**11,219**
Liabilities				
Trade payables	3,225	3,225	1,742	1,742
Other payables	2,083	2,083	1,202	1,202
Lease liability	4,049	4,049	2,721	2,721
	9,357	**9,357**	**5,665**	**5,665**

Note 27. Contingent liabilities

The consolidated entity has given bank guarantees as at 30 June 2021 of $349,010 (2020: $284,951) to various landlords for the operating and commercial leases of the consolidated entity's two premises located in Melbourne, Australia and one premises in London, United Kingdom. Except for these, the consolidated entity currently has no contingent liabilities at the date of signing this report.

Note 28. Commitments

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Committed at the reporting date but not recognised as liabilities, payable: Within one year	504	-

Note 29. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company, and its network firms:

	Consolidated	
	30 June 2021 $	30 June 2020 $
Audit services - RSM Australia Partners		
Audit or review of the financial statements	38,000	61,000
Audit services - network firms		
Audit or review of the financial statements	31,800	-
Other services - RSM Australia Partners		
Other services	16,786	7,297
	86,586	**68,297**

Note 30. Key management personnel disclosures

Compensation

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

	Consolidated	
	30 June 2021 $	30 June 2020 $
Short-term employee benefits	1,304,662	1,007,994
Post-employment benefits	70,691	61,728
Long-term benefits	15,283	-
Long-term share-based payments	754,274	(393,961)
	2,144,910	**675,761**

Note 31. Related party transactions

Parent entity

Althea Group Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Key management personnel

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the Directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	30 June 2021 $	30 June 2020 $
Payment for employee benefits:		
Compensation paid to Joshua Fegan's family members	262,308	221,190

Payments to Joshua Fegan's family members have been paid at an arm's length to full-time contracted employees.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	**30 June 2021 $'000**	**30 June 2020 $'000**
Profit/(loss) after income tax	(2,192)	373
Total comprehensive income/(loss)	(2,192)	373

Statement of financial position

	Parent	
STATEMENT OF FINANCIAL POSITION	**30 June 2021 $'000**	**30 June 2020 $'000**
Total current assets	6,005	9,819
Total assets	68,672	54,489
Total current liabilities	182	75
Total liabilities	421	210
Equity		
Issued capital	68,046	54,403
Share based payment reserve	3,630	1,348
Accumulated losses	(3,425)	(1,472)
Total equity	**68,251**	**54,279**

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

NAME	Principal place of business / Country of incorporation	Ownership interest 30 June 2021 %	Ownership interest 30 June 2020 %
Althea Company Pty Ltd	Australia	100.00%	100.00%
Althea MMJ UK Ltd	United Kingdom	100.00%	100.00%
MMJ Clinic Group Ltd	United Kingdom	100.00%	100.00%
1214029 B.C. Ltd[2]	Canada	100.00%	100.00%
2613035 Ontario Limited[1]	Canada	100.00%	100.00%
2682130 Ontario Limited[1]	Canada	100.00%	100.00%

[1] Collectively known as "Peak".
[2] 1214029 B.C Ltd is an entity associated with acquisition of Peak Processing.

Note 34. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 30 June 2021 $'000	Consolidated 30 June 2020 $'000
Loss after income tax expense for the year	(15,046)	(14,768)
Adjustments for:		
Depreciation and amortisation	2,014	848
Share-based payments	2,076	(493)
Foreign exchange differences	(189)	1,451
Interest paid on investing activities	-	542
Share-based payment re-classified during the year	446	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,295)	(920)
Increase in inventories	(2,982)	(1,601)
Decrease/(increase) in prepayments	1,018	(1,451)
Increase in trade and other payables	3,154	1,784
Increase in employee benefits	359	245
Increase in other provisions	-	125
Net cash used in operating activities	**(10,445)**	**(14,238)**

Note 35. Loss per share

	Consolidated	
	30 June 2021 $'000	30 June 2020 $'000
Loss after income tax	(15,046)	(14,768)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	248,681,808	230,061,945
Weighted average number of ordinary shares used in calculating diluted earnings per share	248,681,808	230,061,945
	Cents	**Cents**
Basic loss per share	(6.05)	(6.42)
Diluted loss per share	(6.05)	(6.42)

13,847,710 (30 June 2020: 5,100,000) performance options and 2,675,000 (30 June 2020: 2,675,000) pre-IPO Consultant options have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 36. Share-based payments

A share option plan has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Remuneration and Nomination Committee, grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration and Nomination Committee.

Options

Set out below are summaries of options granted to Pre-IPO Consultants.

30 June 2021							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/09/2018	21/09/2022	$0.200	2,675,000	-	-	-	2,675,000
			2,675,000	**-**	**-**	**-**	**2,675,000**

Note 36. Share-based payments (continued)

Performance options

The terms and conditions of each grant of performance options over the ordinary shares are as follows:

Performance option class	Grant date	Vesting condition	Number
Class B [1]	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.113	343,743
Class C [1]	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	511,267
Class D [1]	27/11/2019	ATSR (CAGR) over relevant Measurement Period of $1.113	176,201
Class E [1]	27/11/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	176,201
Class F [1]	06/05/2020	ATSR (CAGR) over relevant Measurement Period of $0.443	5,750,000
Class G [1]	01/07/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	1,919,617
Class H [1]	26/11/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	390,625
Class I [2]	01/12/2020	Minimum AUD$30m in group revenue in any 12 month rolling period within the measurement period	5,100,000

[1] The performance metric for vesting of the above Class B- H performance rights is absolute total shareholder return (ATSR) on a compound annual growth rate (CAGR) basis tested over the Measurement Period. ATSR takes into account the difference in share price over the Measurement Period, as well as any dividends (assumed to be reinvested) and other capital adjustments.

[2] The performance metric for vesting of the above Class I performance rights is the achievement of a minimum $30,000,000 in consolidated group revenue in any 12 month rolling period within the performance period.

30 June 2021							
Grant date	**Expiry date**	**Exercise price**	**Balance at the start of the year**	**Granted**	**Exercised**	**Expired/ forfeited/ other[1]**	**Balance at the end of the year**
21/09/2018	21/09/2021	$0.000	5,100,000	-	-	(5,100,000)	-
01/07/2019	01/07/2034	$0.000	-	343,743	-	(343,743)	-
01/07/2019	01/07/2034	$0.000	-	511,267	-	-	511,267
27/11/2019	27/11/2034	$0.000	-	176,201	-	(176,201)	-
27/11/2019	27/11/2034	$0.000	-	176,201	-	-	176,201
06/05/2020	06/05/2035	$0.000	-	5,750,000	-	-	5,750,000
01/07/2020	01/07/2035	$0.000	-	1,919,617	-	-	1,919,617
26/11/2020	26/11/2035	$0.000	-	390,625	-	-	390,625
01/12/2020	30/11/2022	$0.000	-	5,100,000	-	-	5,100,000
			5,100,000	**14,367,654**	**-**	**(5,619,944)**	**13,847,710**

[1] 5,619,944 performance rights (5,100,000 on 21 September 2020 and 519,944 on 30 June 2021) did not meet the required performance measurement hurdles for the rights to vest and/or be exercised.

Note 36. Share-based payments (continued)

For the performance rights grant, the valuation model inputs used to determine the fair value at the grant date, are as follows:

30 June 2021							
Grant date	**Vesting Date**	**Share price at grant date**	**Share price hurdle for vesting**	**Expected volatility**	**Dividend yield**	**Risk-free interest rate**	**Fair value at grant date**
01/07/2019	30/06/2021	$1.000	$1.113	80.00%	-	0.99%	$0.646
01/07/2019	30/06/2022	$1.000	$1.113	80.00%	-	0.99%	$0.675
27/11/2019	30/06/2021	$0.410	$1.113	80.00%	-	0.70%	$0.102
27/11/2019	30/06/2022	$0.410	$1.296	80.00%	-	0.65%	$0.143
06/05/2020	30/06/2022	$0.380	$0.443	80.00%	-	0.23%	$0.262
01/07/2020	30/06/2023	$0.330	$0.548	80.00%	-	0.26%	$0.225
26/11/2020	30/06/2023	$0.480	$0.548	80.00%	-	0.07%	$0.345

Note 37. General information

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

Althea Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, Level 37, 360 Elizabeth Street,
Melbourne, VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 30 August 2021. The Directors have the power to amend and reissue the financial statements.

Note 38. Events after the reporting period

On 25 August 2021, Althea Group Holdings Limited completed a capital raise with funds received totalling $10,640,000.

The impact of the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as rate of vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 39. Going concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of $15,046,000 and had net cash outflows from operating activities of $10,445,000 for the year ended 30 June 2021.

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- As disclosed in Note 38 Events after the report period, on 25 August 2021 the consolidated entity completed a capital raise with funds received totalling $10,640,000.
- The consolidated entity has the ability to reduce overhead and administrative expenditures if required.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Andrew Newbold

Chairman

30 August 2021

Independent Auditor's report

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INDEPENDENT AUDITOR'S REPORT
To the Members of Althea Group Holdings Limited

Opinion

We have audited the financial report of Althea Group Holdings Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill ***Refer to note 15 in the financial statements***	
The Group has goodwill of $17.7 million relating to its acquisition of Peak Processing. We identified this area as a Key Audit Matter due to the size of the goodwill balance, and because the directors' assessment of the 'value in use' of the cash generating unit ("CGU") involves judgements about the future underlying cash flows of the business and the discount rates applied to them. For the year ended 30 June 2021 management have performed an impairment assessment over the goodwill balance by: • Calculating the value in use the CGU using a discounted cash flow model. These models used cash flows (revenues, expenses and capital expenditure) for the CGU for 5 years, with a terminal growth rate applied to the 5th year. These cash flows were then discounted to net present value using the Group's weighted average cost of capital (WACC) adjusted for the CGU; and • Comparing the resulting value in use of the CGU to their respective book values. Management also performed a sensitivity analysis over the value in use calculations, by varying the assumptions used (growth rates, terminal growth rate and WACC) to assess the impact on the valuation.	Our audit procedures in relation to management's assessment of impairment included: • Assessing management's determination that the goodwill should be allocated to a single CGU based on the nature of the Group's business and the manner in which results are monitored and reported; • Assessing the valuation methodology used; • Challenging the reasonableness of key assumptions, including the cash flow projections, revenue growth rates, discount rates, and sensitivities used; • Checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence such as approved budgets, and considering the reasonableness of these budgets; and • Reviewing the accuracy of disclosures of critical estimates and assumptions in the financial statements in relation to the valuation methodologies.

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed this matter
Share Based Payments ***Refer to note 36 in the financial statements***	
Althea issued performance rights and share options as part of the IPO process. Further share based payments have been issued to employees as part of the long- term and short-term incentive schemes. We identified share-based payments as a Key Audit Matter due to the complexity in the valuation of the options and performance rights issued. There is an element of subjectivity in management's assessment around achievement of vesting conditions relating to the performance rights.	Our procedures included the following: • Reviewing the reasonableness of option valuation inputs into the Binomial Options Pricing Model including assessment of the share volatility rates applied in comparison to entities in the similar industry; • Performing a recalculation of the Binomial Options Pricing Model for a sample of options issued; • Testing a sample of options issued to signed ESOP agreements; • Reviewing the accounting for the share-based payments in accordance with *AASB 2 Share-based Payments*; and • Reviewing the reasonableness of management's estimates of the likelihood of the achievement of testing conditions for the options issued.
Revenue Recognition ***Refer to note 5 in the financial statements***	
The Group predominately earns revenue from distribution contracts with third parties who sell Althea's medicinal cannabis products to including registered pharmacies. Peak Processing commenced manufacturing Cannabis products on behalf of third parties in the current financial year. Revenue recognition was considered a Key Audit Matter due to the materiality and significance of the balance.	Our audit procedures in relation to revenue recognition included: • Assessing whether the Group's revenue recognition policies are in compliance *with AASB 15 Revenue with Contracts with Customers;* • Evaluating the operating effectiveness of management's controls related to revenue recognition; • Assessing sales transactions before and after year-end to ensure that revenue is recognised in the correct period; and • Performing substantive analytical review procedures on the different revenue streams.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

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

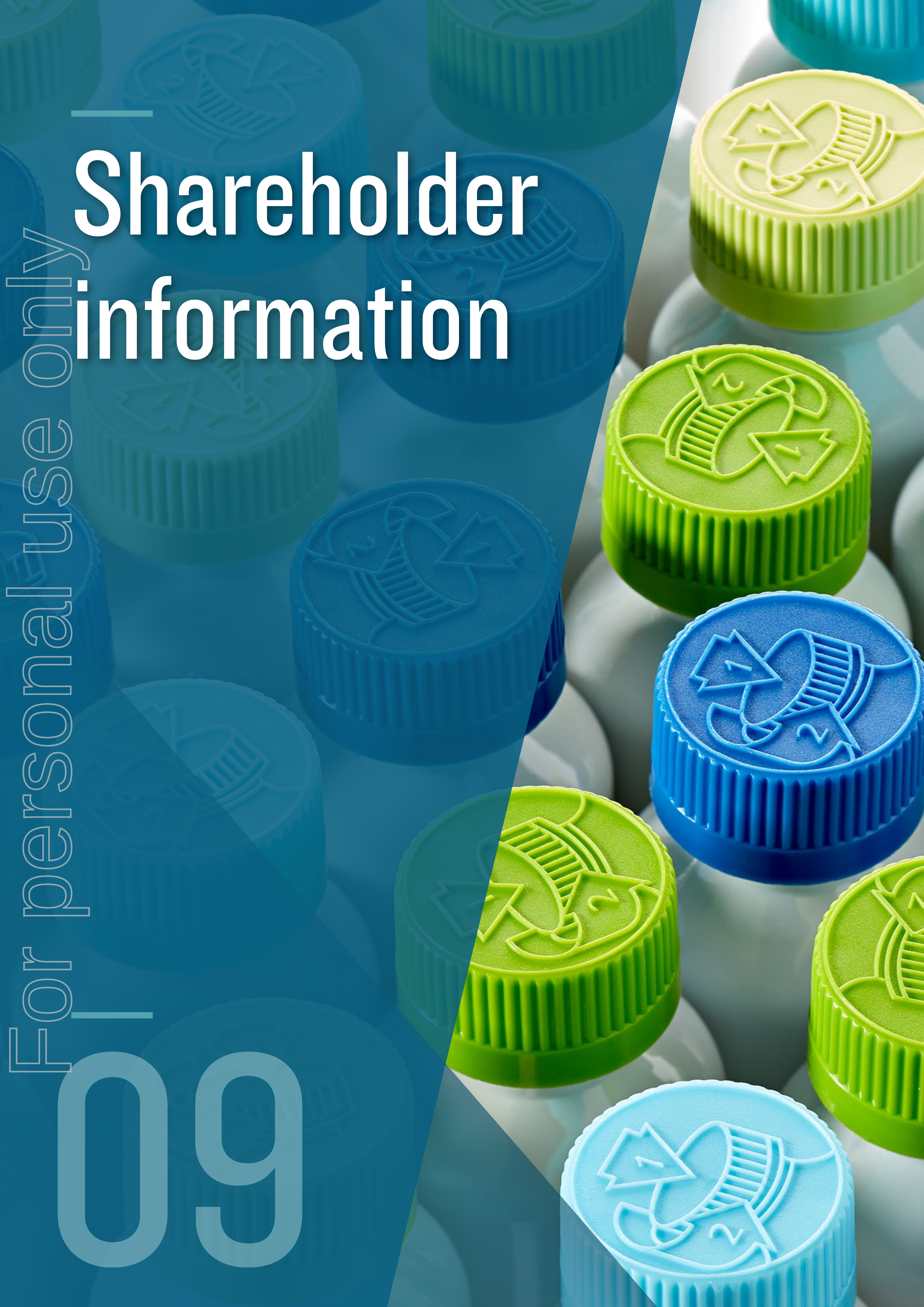
In our opinion, the Remuneration Report of Althea Group Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

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

RSM AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 30 August 2021
Melbourne, Victoria



Shareholder information

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The shareholder information set out below was applicable as at 30 July 2021.

DISTRIBUTION OF EQUITABLE SECURITIES

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	**% of total shares issued**	**Number of holders**	**% of total shares issued**
1 to 1,000	1,902	0.56	-	-
1,001 to 5,000	5,349	5.02	-	-
5,001 to 10,000	1,595	4.75	-	-
10,001 to 100,000	2,043	22.46	-	-
100,001 and over	208	67.21	-	-
	11,097	**100.00**	**-**	**-**
Holding less than a marketable parcel	**3,570**	**-**	**-**	**-**

EQUITY SECURITY HOLDERS

Substantial Holders

The 20 largest shareholders in the consolidated entity are set out below:

	Ordinary shares	
Name	**Numbers held**	**% of total shares issued**
Joshua Michael Fegan	56,250,000	21.44
HSBC Custody Nominees (Australia) Limited	16,016,253	6.10
National Nominees Limited	12,015,231	4.58
Mancann Pty Ltd	10,000,000	3.81
J P Morgan Nominees Australia Pty Limited	8,734,586	3.33
Hootch Pty Ltd	7,500,000	2.86
Oh-Rule Pty Ltd	4,763,165	1.82
Citicorp Nominees Pty Limited	3,225,545	1.23
Jamplat Pty Ltd	2,390,000	0.91
PAC Partners Securities Pty Ltd	2,249,255	0.86
Mr Hoang Huy Nguyen	2,214,161	0.84
Mr Philip John Cawood	1,950,000	0.74
BNP Paribas Nominees Pty Ltd	1,775,000	0.68
Maelstrom Pty Ltd (Falkiner Super Fund A/C)	1,500,000	0.57
Newbold Family Super Fund	1,500,000	0.57
Mansfield Can Investments Pty Ltd (Mansfield Super Fund A/C)	1,366,035	0.52
PAC Partners Pty Ltd	1,017,347	0.39
Mr Anthony Karl Stani	850,000	0.32
Emerging Equities Pty Ltd	822,300	0.31
BNP Paribas Nominees Pty Ltd	802,502	0.31
	136,941,380	**52.19**

UNQUOTED EQUITY SECURITIES

There are no unquoted equity securities.

VOTING RIGHTS

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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