ALTHEA COMPANY PTY LTD

ABN: 82 618 177 192

Financial Report For The Period Ended 30 June 2018

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CONTENTS **Page**

ALTHEA COMPANY PTY LTD
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DIRECTOR'S REPORT

Your director presents their report on the company for the financial period ended 30 June 2018.

Directors

The names of the directors in office at any time during, or since the end of, the period are:

Joshua Michael Fegan appointed (24/03/2017)

The director has been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The loss of the company for the financial period after providing for tax amounted ($1,871,585).

This is the first financial period for Althea Company Pty Ltd. The company was incorporated on 24 March 2017 therefore these financial accounts are for a 15 month period.

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the company occurred during the financial period.

Principal Activities

The principal activity of the entity during the financial period was to supply high quality medicinal canabis for eligible patients across Australia. No significant change in the nature of these activities occurred during the period.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared since the start of the financial period.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

No shares were issued during or since the end of the period as a result of the exercise of an option over unissued shares or interests.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial period, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

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

The company was not a party to any such proceedings during the period.

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 on page 2.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

Joshua Michael Fegan

Dated this 30th day of July 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Althea Company Pty Ltd for the period ended 30 June 2018, 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

RSM AUSTRALIA PARTNERS

P T SEXTON
Partner

Dated: 30 July 2018
Melbourne, Victoria

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 15 month period $
Sales revenue	2	10,720
Cost of sales		(10,172)
Gross profit		548
Other income	2	5,384
Distribution expense		(14,009)
Employee benefits expense		(191,971)
Marketing expense		(1,079,069)
Occupancy expense		(45,484)
Administration expense		(237,024)
Accounting & consulting expense		(232,074)
Finance costs		(1,867)
Other expenses		(76,019)
Loss for the year		(1,871,585)
Total other comprehensive income for the year		-
Total comprehensive income for the year		(1,871,585)

The accompanying notes form part of these financial statements.

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5	2,300,335
Trade and other receivables	6	66,348
Inventories	7	84,656
Other current assets	8	648,151
Financial assets	9	200,000
TOTAL CURRENT ASSETS		3,299,490
TOTAL ASSETS		3,299,490
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	10	151,075
Employee provisions	11	12,500
TOTAL CURRENT LIABILITIES		163,575
NET ASSETS		3,135,915
EQUITY		
Issued capital	12	5,007,500
Retained earnings		(1,871,585)
TOTAL EQUITY		3,135,915

The accompanying notes form part of these financial statements.

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Note	Issued Capital	Retained Earnings (accumulated losses)	Total
		$	$	$
Balance at 24 March 2017		-	-	-
Comprehensive income				
Loss for the period			(1,871,585)	(1,871,585)
Total comprehensive income for the year attributable to members of the entity		-	(1,871,585)	(1,871,585)
Transactions with owners, in their capacity as owners, and other transfers				
Shares issued during the period		5,007,500		5,007,500
Total transactions with owners and other transfers		5,007,500	-	5,007,500
Balance at 30 June 2018	11	5,007,500	(1,871,585)	3,135,915

The accompanying notes form part of these financial statements.

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Note	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers		1,095
Payments to suppliers and employees		(2,004,839)
Interest paid		(1,305)
Net cash used in operating activities	13(a)	(2,005,049)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares		4,300,000
Interest received		5,384
Net cash provided by financing activities		4,305,384
Net increase in cash held		2,300,335
Cash and cash equivalents at beginning of financial year		-
Cash and cash equivalents at end of financial year	5	2,300,335

The accompanying notes form part of these financial statements.

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

These financial statements and notes represent Althea Company Pty Ltd. Althea Company Pty Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 30th July 2018 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

(a) Income Tax

The income tax expense/(income) for the period comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss or arising from a business combination.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) the initial recognition of an asset or liability in a transaction which: (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Althea has opted not to recognise deferred tax balances due to the uncertainty of the recoupment in future years.

(b) Fair Value of Assets and Liabilities

The Company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the Company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the date that the entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are recognised as expenses in profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Classification and Subsequent Measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Regular purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the entity's accounting policy.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Impairment of financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

At the end of each reporting period the company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired (other than financial assets classified as at fair value through profit or loss).

(e) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on translation of are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

(h) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

(i) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Trade and other payables are initially measured their fair value and subsequently measured at amortised cost using the effective interest method.

(j) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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 ATO is included with other receivables or 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 ATO, are presented as operating cash flows included in receipts from customers or payments to suppliers.

(k) Comparative Figures

This 15 month period is the first period of trading for Althea Company Pty Ltd, there are therefore no comparatives for 2017.

(l) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the company. The directors have decided not to early adopt any of the new and amended pronouncements. Their assessment of the pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

— AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

— AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

— identify the contract(s) with a customer;
— identify the performance obligations in the contract(s);
— determine the transaction price;
— allocate the transaction price to the performance obligations in the contract(s); and
— recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements.

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Based on a preliminary assessment performed over each line of business and product type, the effects of AASB 15 are not expected to have a material effect on the Company.

— AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

— recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
— depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
— inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
— application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
— inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Based on a preliminary assessment performed over each line of business and product type, the effect of AASB 16 is not expected to have a material effect on the Company. It is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2 Revenue and Other Income

	2018 $
Sales revenue:	
— sale of goods	10,720
Total sales revenue	10,720
Other income:	
— interest income	5,384
Total other income	5,384

Note 3 Key Management Personnel Compensation

The totals of remuneration paid to key management personnel (KMP) of the Company during the period are as follows:

	2018
	$
Short-term employee benefits	175,000
Post-employment benefits	15,438
	190,438

Other KMP Transactions

For details of other transactions with KMP, refer to Note 14: Related Party Transactions.

Note 4 Auditor's Remuneration

	2018
	$
Remuneration of the auditor for:	
Audit Services (RSM Australia)	
— Audit of financial statements	11,000
Other services (RSM Australia):	
— Investigating accountant's report	20,000
	31,000

Note 5 Cash and Cash Equivalents

	2018
CURRENT	$
Cash at bank	2,300,335
	2,300,335

Note 6 Trade and Other Receivables

	2018
	$
CURRENT	
Trade receivables	9,625
Other receivables	56,723
Total current trade and other receivables	66,348

(a) Financial assets classified as loans and receivables

	2018
	$
Trade and other receivables	66,348
Other financial assets	200,000
Total financial assets classified as loans and receivables	266,348

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is significantly concentrated with one entity, Aphria Incorporated, which is the Company's major supplier of inventory. At 30 June 2018, a total balance of $422,031 was receivable in inventory (refer to note 8), and $200,000 was receivable in either inventory or cash (refer to note 9). The risk of default is considered low.

Other balances totalling $9,625 are within their terms of trade, and no provision for impairment was made at 30 June 2018.

There are no guarantees against these receivables, but balances are closely monitored to mitigate risk

(c) Collateral pledged

No collateral is held over trade and other receivables.

Note 7 Inventories

	2018
	$
CURRENT	
At cost:	
Finished goods	84,656
	84,656

Note 8 Other Assets

	2018
	$
CURRENT	
Prepayments	226,120
Prepayment (inventory) - Aphria Incorporated	422,031
	648,151

On 11th January 2018 Aphria Incorporated was issued 2,500 shares for $2,500,000 of which $1,800,000 was received in cash and $500,000 was a prepayment on inventory to be delivered at a future date with a further $200,000 to be settled in cash or inventory depending on Althea's inventory requirements (refer Note 9). The prepayment is secured under a Promissory Note.

Note 9 Financial Assets

	2018
	$
CURRENT	
Contractual receivable	200,000
Total Current Assets	200,000

The contractual receivable relates to an agreement between the Company and its major supplier Aphria Incorporated, which, depending upon the Company's inventory requirements will be settled in inventory or cash to the value of $200,000.

Note 10 Trade and Other Payables

	2018
	$
CURRENT	
Unsecured liabilities	
Trade payables	36,433
Sundry payables and accrued expenses	114,642
	151,075

(a) Financial liabilities at amortised cost classified as trade and other payables	
Trade and other payables	
— Total Current	151,075
Financial liabilities as trade and other payables	151,075

The average credit period on trade and other payables (excluding GST payable) is 2 months. No interest is payable on outstanding payables during this period.

Note 11 Employee Provisions

	2018
Current Employee Provisions	$
Annual leave provision	12,500
	12,500

Analysis of Provisions

CURRENT	2018
Employee Benefits	$
Opening balance at 24 March 2017	-
Additional provisions raised during year	12,500
Amounts used	-
Balance at 30 June 2018	12,500

Provision for Employee Benefits

Provision for employee benefits represents amounts accrued for annual leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements. These amounts must be classified as current liabilities since the Company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 12 Issued Capital

	2018 $
12,000 fully paid ordinary shares	5,007,500
	5,007,500

(a) Ordinary Shares

	No. of shares
At the beginning of the reporting period	-
Shares issued during the year:	
— 9th January 2018 (Joshua Fegan)	1
— 10th January 2018 (Joshua Fegan)	7,499
— 11th January 2018 (Aphria Incorporated)	2,500
— 21st March 2018 (Aphria Incorporated)	2,000
At the end of the reporting period	12,000

Ordinary shareholders participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

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

Note 13 Cash Flow Information

	2018 $
(a) Reconciliation of cash flows from operating activities with profit after income tax	
Net Loss	(1,871,585)
Adjustments for:	
Interest receivable	(5,384)
Initial issue of shares to reimburse Founder for company expenses	7,500
Changes in assets and liabilities:	
— (increase)/decrease in trade and term debtors	(66,348)
— (increase)/decrease in other assets	(232,807)
— increase/(decrease) in trade and other creditors	151,075
— increase/(decrease) in provisions	12,500
Net cash used in operating activities	(2,005,049)

(b) Non-cash financing and investing activities
Proceeds from issue of shares are reconciled as follows:

Share capital at 30 June 2018	5,007,500
Issue of shares in exchange for inventory	(500,000)
Issue of shares for future settlement in cash or inventory	(200,000)
Initial issue of shares to reimburse Founder for company expenses	(7,500)
Cash proceeds from share issues	4,300,000

Note 14 Related Party Transactions

The Company's main related parties are as follows:

(a) Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 3: Key Management Personnel Compensation.

(b) Other related entities
Aphria Incorporated is an entity which exercises significant influence over Althea Company Pty Ltd by holding 37.5% voting power in proportion to ownership of Althea's shares. The two entities are related through this relationship.

Transactions with related parties:

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

The following transactions occurred with related parties:

		2018 $ AUD	2018 $ CAD
i.	**Purchase of goods and services**		
	Other Related Parties:		
	Aphria Incorporated (significant shareholder)	77,969	76,225
	Wartorn Productions Pty Ltd (director related entity of Joshua Fegan)	10,000	
ii.	**Other current assets**		
	Prepayments		
	Aphria Incorporated - inventory prepayment	422,031	
	Financial assets		
	Aphria Incorporated - contractual receivable	200,000	

Note 15 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills, leases, preference shares, and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2018 $
Financial Assets		
Cash and cash equivalents	5	2,300,335
Loans and receivables	6	209,625
Total Financial Assets		2,509,960
Financial Liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	10(a)	151,075
Total Financial Liabilities		151,075

Financial Risk Management Policies

The director's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board.

The main purpose of non-derivative financial instruments is to raise finance for company operations. The company does not have any derivative instruments at 30 June 2018.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness, which includes the utilisation of systems for the approval, granting and renewal of credit limits, the regular monitoring of exposures against such limits and the monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment. Depending on the division within the company, credit terms are generally 30 to 60 days from the date of invoice.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating or in entities that the finance committee has otherwise assessed as being financially sound. Where the company is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period, excluding the value of any collateral or other security held is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

No collateral is held by the company securing receivables as detailed in Note 6.

The company has no significant concentration of credit risk with any single counterparty or group of counterparties. Details with respect to credit risk of Trade Receivables is provided in Note 6.

Trade receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 6.

	Note	2018 $
Cash and cash equivalents		
— AA- Rated		2,300,335
		2,300,335

(b) Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

— preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
— monitoring undrawn credit facilities;
— obtaining funding from a variety of sources;

— maintaining a reputable credit profile;
— managing credit risk related to financial assets;
— only investing surplus cash with major financial institutions; and
— comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for non-derivative financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year 2018	1 to 5 years 2018		Over 5 years 2018			Total 2018
Financial liabilities due for payment	$	$		$			$
Trade and other payables	151,075						151,075
Total expected outflows	151,075	-	-	-	-	-	151,075
Financial assets — cash flows realisable							
Cash and cash equivalents	2,300,335						2,300,335
Trade, term and loans receivables	209,625						209,625
Total anticipated inflows	2,509,960	-	-	-	-	-	2,509,960
Net (outflow) / inflow on financial instruments	2,358,885	-	-	-	-	-	2,358,885

(c) Market Risk

Foreign currency risk

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

Due to inventory being supplied by an overseas entity, fluctuation between the AUD Dollar and the CAD Canadian dollar may impact on the entity's financial results.

Note 16 Events After the Reporting Period

The directors are not aware of any significant events since the end of the reporting period.

Note 17 Company Details

The registered office of the company is:

Althea Company Pty Ltd
C/- Curtain & Co Services Pty Ltd
Level 3, 369 Royal Parade
PARKVILLE VIC 3052

The principal place of business is:

Althea Company Pty Ltd
30 Dove Street
CREMORNE VIC 3121

ALTHEA COMPANY PTY LTD
ABN: 82 618 177 192
DIRECTOR'S DECLARATION

In accordance with a resolution of the director of Althea Company Pty Ltd, the director of the company declares that:

1. The financial statements and notes, as set out on pages 3 to 16, are in accordance with the Corporations Act 2001 and:

   (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS)

   (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the period ended on that date of the company.

2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director

Joshua Michael Fegan

Dated this 30th day of July 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REPORT
To the Members of Althea Company Pty Ltd

Opinion

We have audited the financial report of Althea Company Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period 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 Company is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the 15-month period 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 Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the 15-month period ended 30 June 2018, 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company 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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

P T SEXTON
Partner

Dated: 31 July 2018
Melbourne, Victoria