FREEDOM TO LIVE AN Althea™ life 2019

HALF-YEAR FINANCIAL REPORT

For the period ended - 31 December 2018

Althea Group Holdings Limited and Controlled Entities

ABN 78 626 966 943
Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2018 Annual Report

Althea™

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group comprising Althea Group Holdings Limited ("Althea") and its controlled entities ("Group") for the half-year ended 31 December 2018.

DIRECTORS

The names of directors who held office during or since the end of the half-year:

Andrew Newbold	(Appointed 21/06/2018)
Joshua Fegan	(Appointed 21/06/2018)
Gregg Battersby	(Appointed 21/06/2018)
Alan Boyd	(Appointed 21/06/2018)
Penelope Dobson	(Appointed 30/11/2018)

PRINCIPAL ACTIVITIES

The principal activities of the Group during the period were the sales and distribution of medicinal cannabis products along with the development of a manufacturing and cultivation facility.

REVIEW OF OPERATIONS

GOALS AND STRATEGY

Althea was established to cultivate, produce and supply medicinal cannabis for eligible patients across Australia.

In order to achieve this, we have formed strategic partnerships and devised a three-stage business model built upon early revenue generation, sales-driven growth and scalable domestic production. We have engaged a team of medical science liaisons who are working to assist medical practitioners to become prescribers of Althea products. Similarly, they are working with pharmacists to act as suppliers.

Althea's focus on patient care underpins our business strategy. To this end, we have developed a complementary education and patient support service through our 'Althea Concierge' mobile application and web-based platform. Althea Concierge provides a simple pathway for healthcare professionals and patients to access information and support to navigate the complexities associated with prescribing medicinal cannabis.

SUCCESSFUL LISTING AND IPO CAPITAL RAISING

Althea successfully completed its A$19.65 million Initial Public Offering ("IPO") and was admitted to the official list of the Australian Securities Exchange ("ASX") in September 2018. The IPO was heavily oversubscribed.

Althea has made significant progress since listing:

In October, Althea announced that it had reached the 100 patient milestone.

- In October, Althea announced that it had reached the 100 patient milestone.
- In November, Althea announced that, with the granting of both a Manufacturing and Export licence, it now holds the full complement of required licences.
- In January, Althea announced that the 300 patient milestone had been reached.
- In February, Althea announced its expansion into the United Kingdom as one of the first entrants into that market as well the launch of its sponsored online portal providing RACGP and ACRRM accredited educational content on medicinal cannabis for General Practitioners.

EDUCATION, DISTRIBUTION AND SALES

In October 2018, Althea reached the 100 patient milestone with 42 healthcare professionals prescribing Althea medicinal cannabis products. In November, Althea quickly surpassed 150 patients by the end of December 2018, 75 registered healthcare professionals were prescribing Althea products to 250 patients.

MANUFACTURING AND EXPORT LICENCES

During the half-year, Althea was granted its Manufacturing and Export licences by the Australian Government's Office of Drug Control ("ODC"). The manufacturing licence provides Althea with the authorisation to manufacture extracts and tinctures of cannabis and cannabis resin in accordance with the relevant permits.

The export licence provides authorisation to export medical cannabis products and/or extracts manufactured in Australia.

Althea has a full complement of ODC cannabis licences necessary to become a fully-fledged "seed to sale" Australian producer of medicinal cannabis.

CULTIVATION AND MANUFACTURING FACILITY

Capital raised in the IPO is being applied to patient acquisition and marketing to build our brand awareness, enhance medical outreach, and fund the design and construction of a fully scalable medicinal cannabis cultivation, extraction and manufacturing facility in Melbourne.

Althea has received ODC approval for the construction of a medical cannabis cultivation, cannabinoid extraction and manufacturing facility. This approval is a key milestone in becoming a 'seed to sale' business.

In November 2018, Althea lodged a planning permit with the council for its ODC-approved, fully scalable facility. Progress on the facility is on track, having received great support from the council and the Victorian Government.

LOOKING AHEAD

We are committed to continuing in our efforts to help eligible Australian patients gain access to Althea's range of medicinal cannabis products in the second half of the 2019 financial year and beyond.

Althea's expansion into the United Kingdom in February 2019 leverages the unique intellectual property created by the Australian business over the last two years, providing access to potentially millions of patients within a regulatory environment very similar to Australia. Althea believe our unique ability to educate healthcare professionals about Althea medicinal cannabis in highly regulated market places, could potentially extend into a greater number of countries in Asia, Europe and North America.

Looking ahead, Althea is well positioned to progress towards a number of important goals including reaching the 1,000 patient milestone, adding new products to Althea's portfolio, and completing the construction of the proposed production facility.

ROUNDING OF AMOUNTS

The Group has applied the relief available to it in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2018.

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

Andrew Newbold

Director

Dated this 28th day of February 2019

AUDITOR'S INDEPENDENCE DECLARATION

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Althea Group Holdings Limited for the half year ended 31 December 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 review; and

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

RSM AUSTRALIA PARTNERS

P T SEXTON
Partner

Dated: 28 February 2019
Melbourne, Victoria

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	CONSOLIDATED GROUP Half-year Ended 31 December 2018 $'000	Half-year Ended 31 December 2017 $'000
CONTINUING OPERATIONS			
Revenue		174	-
Interest income		8	-
Total revenue		**182**	**-**
Cost of goods sold		(71)	-
Distribution expense		(31)	(12)
Employee benefits expense		(417)	(140)
Marketing		(864)	(1)
Depreciation and amortisation expense		(1)	-
Professional services		(311)	(6)
Occupancy		(68)	(25)
Administration		(680)	(3)
Finance costs		(4)	(1)
Other expenses	3	(101)	(44)
Loss before income tax		**(2,366)**	**(106)**
Income tax expense		-	-
Loss after income tax		**(2,366)**	**(106)**
Other comprehensive income		-	-
Total other comprehensive income for the period		-	-
Total comprehensive income for the period		**(2,366)**	**(106)**
Net profit attributable to members of the parent entity			
Total comprehensive income attributable to members of the parent entity		**(2,366)**	**(106)**
EARNINGS PER SHARE			
From continuing operations:			
Basic earnings per share (cents)		(0.02)	(106,008)
Diluted earnings per share (cents)		(0.02)	(106,008)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2018

		CONSOLIDATED GROUP	
	Note	**As at 31 December 2018 $'000**	As at 30 June 2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents		14,874	2,300
Trade and other receivables	4	111	66
Prepayments		646	648
Inventories		125	85
Financial assets		5,200	200
Other current assets		215	-
Total current assets		**21,171**	**3,299**
Non-current assets			
Property, plant and equipment		434	-
Intangible assets		157	-
Total non-current assets		**591**	**-**
Total assets		**21,762**	**3,299**
LIABILITIES			
Current liabilities			
Trade and other payables		237	151
Employee provisions		31	12
Total current liabilities		**268**	**163**
Net assets		**21,494**	**3,136**
EQUITY			
Issued capital	9	25,732	5,007
Retained earnings		(4,238)	(1,871)
Total equity		**21,494**	**3,136**

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Ordinary Share Capital $'000	Retained Earnings (accumulated losses) $'000	Total $'000
CONSOLIDATED GROUP			
*Balance at 1 July 2017	-	-	-
Comprehensive income			
Loss for the period	-	(106)	(106)
Total comprehensive income for the period	**-**	**(106)**	**(106)**
Balance at 31 December 2017	**-**	**(106)**	**(106)**
Balance at 1 July 2018	5,008	(1,872)	3,136
Comprehensive income			
Loss for the period	-	(2,366)	(2,366)
Total comprehensive income for the period	**-**	**(2,366)**	**(2,366)**
Transactions with owners, in their capacity as owners, and other transfers			
Shares issued during the period, net of capital raising costs	20,724	-	20,724
Total transactions with owners and other transfers	**20,724**	**-**	**20,724**
Balance at 31 December 2018	**25,732**	**(4,328)**	**21,494**

**Due to rounding $1 opening balance share value has been omitted for the purposes of these accounts.*

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	CONSOLIDATED GROUP	
	Half-year Ended 31 December 2018	Half-year Ended 31 December 2017
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	129	-
Payments to suppliers and employees	(2,482)	(59)
Interest received	8	-
Net cash used in operating activities	**(2,345)**	**(59)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(157)	(26)
Purchase of non-current assets	(434)	-
Transfer for term deposit	(5,000)	-
Net cash used in investing activities	**(5,591)**	**(26)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of capital raising costs	20,724	-
Proceeds from borrowings	-	99
Payment of bank guarantees	(215)	-
Net cash provided by financing activities	**20,509**	**99**
Net increase in cash held	12,573	14
Cash and cash equivalents at beginning of period	2,300	-
Cash and cash equivalents at end of period	**14,873**	**14**

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION

These general purpose interim financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting.* The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Althea Group Holdings Limited and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within Althea Group Holdings Limited and its controlled entities. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of Althea Group Holdings Limited and Althea Company Pty Ltd for the year ended 30 June 2018 together with any public announcements made during the following half-year.

These interim financial statements were authorised for issue on 28 February 2019.

B. ACCOUNTING POLICIES

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described in note 1(c) below.

C. BUSINESS COMBINATIONS UNDER COMMON CONTROL - POOLING OF INTERESTS

The acquisition of a 100% equity interest in Althea Company Pty Ltd by Althea Group Holdings Ltd does not constitute a business combination as outlined in AASB 3 Business Combinations as the standard does not apply to a business combination of entities under common control. A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Therefore, these Group half-year financial statements combine those of Althea Group Holdings Ltd and the commonly controlled entity, Althea Company Pty Ltd, as at 31 December 2018.

The Pooling of Interests method has been adopted to account for the combination as a business combination carried out under common control. This means the assets and liabilities of the entity coming under common control have been transferred to the financial statements of Althea Group Holdings Ltd at book value without revaluation. There has been no consideration paid by Althea Group Holdings Ltd to acquire the entity therefore the value of the combined assets is represented as an entry directly to equity with no impact on the Statement of Profit or Loss and Other Comprehensive Income, and no goodwill is recognised.

The financial statements are therefore presented as if the combination of the two entities had occurred at the beginning of the comparative period (i.e. as if the two entities had always been combined).

Intercompany transactions, balances and realised gains on transactions between entities in the Group 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 Group.

D. INTANGIBLE ASSETS

During the 1 July 2018 to 31 December 2018 reporting period, the Group 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 will commence once development is completed and ready for use. Software is amortised over its useful life ranging from 2 to 5 years.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

The Group has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- AASB 9: *Financial Instruments,* and
- AASB 15: *Revenue from Contracts with Customers.*

The impact of the adoption of these standards and the respective accounting policies are disclosed in Note 2.

f. IMPACT OF STANDARDS ISSUED BUT NOT YET APPLIED BY THE GROUP

- AASB 16: *Leases*

AASB 16: *Leases* (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: *Leases* and the related Interpretations. It introduces a single lessee accounting model by eliminating the current requirement to distinguish leases as either operating leases or finance leases depending on the transfer of risks and rewards of ownership. The key requirements of AASB 16 are summarised 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, instead accounting for all components as a lease;
- inclusion of additional disclosure requirements; and
- accounting for lessors will not significantly change.

AASB 16 will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $2,796,000. The Group is currently assessing to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit, financial position and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

AASB 16 is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the new standard before its effective date.

NOTE 2: CHANGES IN ACCOUNTING POLICIES

This note describes the nature and effect of the adoption of AASB 9: *Financial Instruments* and AASB 15: *Revenue from Contracts with Customers* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the the Group from the adoption of these Accounting Standards has been assessed and no restatement of comparative disclosure is required.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 3: LOSS FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:	CONSOLIDATED GROUP Half-year Ended 31 December 2018 $'000	 Half-year Ended 31 December 2017 $'000
IPO Expenses	**93**	**-**

NOTE 4. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED GROUP As at 31 December 2018 $'000	 As at 30 June 2018 $'000
Trade receivables	74	9
Less: Allowance for expected credit losses (30 Jun 2018: Provision for impairment of receivables)	-	-
Total Trade Receivables	**74**	**9**
Other receivables	**37**	**57**
Total Current Receivables	**111**	**66**

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	
	31 Dec 2018	30 June 2018	**31 Dec 2018**	30 June 2018	**31 Dec 2018**	30 June 2018
Consolidated	**%**	%	**$'000**	$'000	**$'000**	$'000
Not overdue	**0%**	0%	**44**	9	**-**	-
Under 1 month overdue	**0%**	0%	**20**	-	**-**	-
1 to 3 months overdue	**0%**	0%	**10**	-	**-**	-
Over 3 months overdue	**0%**	0%	**-**	-	**-**	-
			74	**9**	**-**	**-**

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 5: DIVIDENDS

No dividends have been paid in this period.

NOTE 6: CONTINGENT LIABILITIES

The Group has two Bank Guarantees totalling $215,138 for the operating and commercial leases of the Group's two premises. Except for these, the Group currently has no contingent liabilities at the date of signing this report.

NOTE 7: RELATED PARTY TRANSACTIONS

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

	HALF-YEAR ENDED
	31 December 2018
	$'000
i. PURCHASE OF GOODS AND SERVICES	
Other related parties	
- Aphria Incorporated (significant shareholder)	99
- Wartorn Productions Pty Ltd (director related entity to Joshua Fegan)	16
ii. OTHER CURRENT ASSETS	
Prepayments	
- Aphria Incorporated (inventory prepayment)	322
Financial assets	
- Aphria Incorporated (contractual receivable)	200

NOTE 8: EARNINGS PER SHARE

	CONSOLIDATED GROUP	
	As at 31 December 2018	As at 31 December 2017
	$'000	$'000
EARNINGS PER SHARE FOR LOSS FROM CONTINUING OPERATIONS		
Loss for the period	(2,366)	(106)
Total comprehensive income for the period	(2,366)	(106)
	Cents	**Cents**
Basic earnings per share	(0.02)	(106,008)
Diluted earnings per share	(0.02)	(106,008)

Althea issued shares during the period as part of a share consolidation, pre IPO capital raise, and full IPO. (refer Note 9) Therefore, the prior period results are impacted by the limited number of shares on issue at the time.

Weighted average number of ordinary shares

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	114,744,822	1
Weighted average number of ordinary shares used in calculating diluted earnings per share	114,744,822	1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

NOTE 9: EQUITY – ISSUED CAPITAL

	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	**203,310,000**	**12,000**	**25,732**	**5,008**

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Opening balance	1 July 2018	12,000	-	5,008
Share consolidation	9 August 2018	56,242,500	$0.00	-
Share consolidation	9 August 2018	33,745,500	$0.00	-
Pre IPO	10 August 2018	12,000,000	$0.1667	2,000
IPO	21 September 2018	98,250,000	$0.20	19,650
Pac IPO	21 September 2018	3,060,000	$0.00	-
IPO Expense				(926)
Closing balance	**31 December 2018**	**203,310,000**		**25,732**

NOTE 10: COMMITMENTS

	31 Dec 2018	30 June 2018
	$'000	$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment*	10,365	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	291	-
One to five years	1,063	-
More than five years	1,442	-
	2,796	**-**

**The Group has a capital commitment for the design and construction of a production facility.*

NOTE 11: EVENTS AFTER THE END OF THE INTERIM PERIOD

On the 7th of February 2019, Althea entered into an agreement to purchase an incorporated United Kingdom shelf entity from its CEO Joshua Fegan to conduct its operations with immediate effect. The entity was purchased for the nominal sum of $181 (being £100) and was at fair value.

There are no other matters or circumstances which have arisen since 31 December 2018 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Althea Group Holdings Limited, the directors declare that:

1. The financial statements and notes, as set out on pages 8 to 18 are in accordance with the *Corporations Act 2001*, including:

    a. complying with Accounting Standard AASB 134: *Interim Financial Reporting;* and
    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.

2. In the directors' 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.

Andrew Newbold

Director

Dated this 28th day of February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTHEA GROUP HOLDINGS LIMITED

RSM

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

We have reviewed the accompanying half-year financial report of Althea Group Holdings Limited which comprises the condensed consolidated balance sheet as at 31 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Althea Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Other Matter

The financial report of the company for the half-year ended 31 December 2017 was not reviewed.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Althea Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Althea Group Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM

RSM AUSTRALIA PARTNERS

P T SEXTON
Partner

Dated: 28 February 2019
Melbourne, Victoria


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