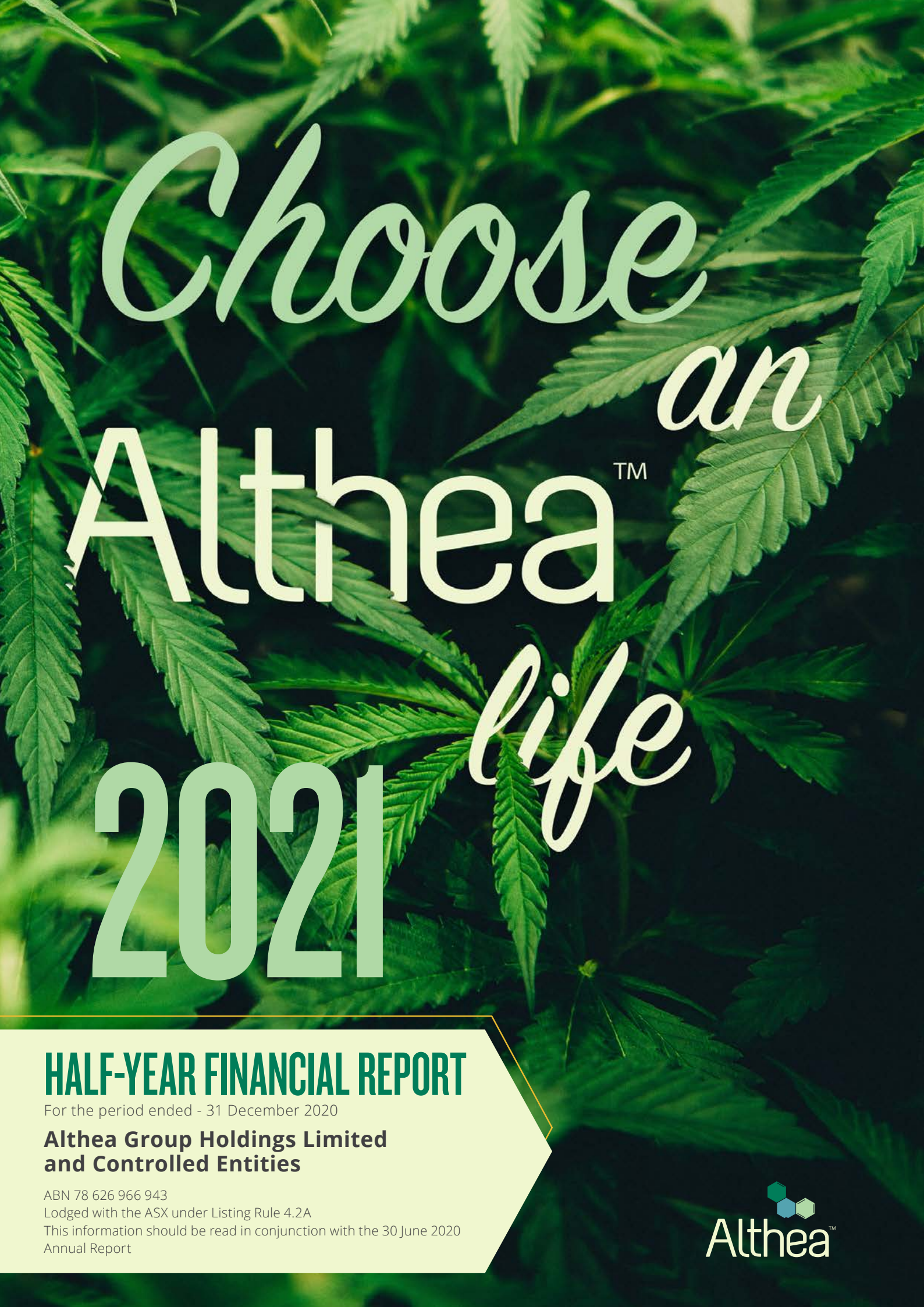


HALF-YEAR FINANCIAL REPORT

For the period ended - 31 December 2020

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 2020 Annual Report

Althea™

APPENDIX 4D

1. COMPANY DETAILS

Name of entity: Althea Group Holdings Limited
ABN: 78 626 966 943
Reporting period: For the half-year ended 31 December 2020
Previous period: For the half-year ended 31 December 2019

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

				$'000
Revenues from ordinary activities	up	175.3%	to	5,098
Loss from ordinary activities after tax attributable to the owners of Althea Group Holdings Limited	down	0.9%	to	(8,274)
Loss for the year attributable to the owners of Althea Group Holdings Limited	down	0.9%	to	(8,274)

COMMENTS

The loss for the consolidated entity after providing for income tax amounted to $8,274,000 (31 December 2019: $8,351,000 loss).

3. NET TANGIBLE ASSETS

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	10.14	11.23

4. LOSS OF CONTROL OVER ENTITIES

Not applicable.

5. 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.

6. DIVIDEND REINVESTMENT PLANS

Not applicable.

7. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

Not applicable.

8. FOREIGN ENTITIES

DETAILS OF ORIGIN OF ACCOUNTING STANDARDS USED IN COMPILING THE REPORT:

International Financial Reporting Standards (IFRS).

9. AUDIT QUALIFICATION OR REVIEW

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

10. ATTACHMENTS

The Interim Report of Althea Group Holdings Limited for the half-year ended 31 December 2020 is attached.

11. SIGNED



Signed **Date: 24 February 2021**

Andrew Newbold
Chairman

ALTHEA GROUP HOLDINGS LIMITED

ABN 78 626 966 943

INTERIM REPORT - 31 DECEMBER 2020





CONTENTS

CORPORATE DIRECTORY ____ 8

DIRECTORS' REPORT ____ 9

AUDITOR'S INDEPENDENCE DECLARATION ____ 13

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ____ 14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ____ 15

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ____ 16

CONSOLIDATED STATEMENT OF CASH FLOWS ____ 17

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ____ 18

DIRECTORS' DECLARATION ____ 29

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALTHEA GROUP HOLDINGS LIMITED ____ 30







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 half-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 24 February 2021.

CORPORATE DIRECTORY

DIRECTORS	Andrew Newbold (Non-executive Chairman) Joshua Fegan (Managing Director and Chief Executive Officer) Alan Boyd (Non-Executive Director) Penelope Dobson (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 140 William 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



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 half-year ended 31 December 2020.

DIRECTORS

The following persons were Directors of Althea Group Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Newbold

Joshua Fegan

Alan Boyd

Penelope Dobson

PRINCIPAL ACTIVITIES

The principal activities of the consolidated group during the period were the sales and distribution of medicinal cannabis products in Australia and the United Kingdom, and the production, sales and distribution of cannabis infused products in Canada.

DIVIDENDS

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

REVIEW OF OPERATIONS

HALF-YEAR HIGHLIGHTS

ASX ANNOUNCEMENTS	Release date
Online sales in *Althea Concierge*™ launched	8 July 2020
TGA announces plans to down schedule low dose CBD	9 September 2020
Peak Processing Solutions (Peak) is granted Health Canada Licence	14 September 2020
Peak signs agreements with Earth Kisses Sky and Electric Brands	16 November 2020
Althea products approved for sale in Germany	18 November 2020
Peak to manufacture US brand Tinley's in Canada	1 December 2020
Althea expands into South Africa with new supply agreement	3 December 2020
Strong UK sales combine for record revenue month in November	8 December 2020
Althea announces capital raising to support ongoing growth	15 December 2020
CBD Medicines approved for over-the-counter sales from 2021	16 December 2020
Supply and distribution agreement for UK and Jersey	23 December 2020
December sales exceed $1.19M with 90% monthly growth in the UK	11 January 2021
Althea achieved unaudited record revenue of $2.7M in the December quarter, a 29% increase on the September quarter	29 January 2021

KEY ACHIEVEMENTS

The Company continued to achieve strong growth during the 31 December 2020 half year, resulting in revenue of $5,098,000, an increase of 175.3% on the prior corresponding period (31 December 2019: $2,277,000). The loss for the consolidated entity after providing for income tax amounted to $8,274,000 (31 December 2019: $8,351,000 loss).

Althea is a global pharmaceutical company and supplier of medicinal cannabis products with operations spanning Australia, the United Kingdom, Germany, South Africa and Canada. The first half of FY21 has been one of significant progress for Althea, with many milestones achieved in all jurisdictions. While all operations have been forced to adjust their way of working as we navigate the global Covid-19 pandemic, the business has managed to deliver a strong performance across all key metrics.

Whilst managing to maintain momentum in our established medicinal cannabis markets, we have also broadened our global footprint with an agreement signed in South Africa and our first shipment of products arriving in Germany. These achievements are in line with our strategic growth plan, a summary of which follows.

Australia

Althea has continued to experience solid growth in the sale of its medicinal cannabis products in Australia, underpinned by developing the Healthcare Professional (HCP) prescribing community via our infield sales team and *Althea Concierge™*, a proprietary medical device that simplifies the prescribing and patient management process for medicinal cannabis. With our infield sales team and unique *Althea Concierge™* platform, we are able to educate HCPs about the benefits of Althea products and streamline the entire process required to prescribe medicinal cannabis.

As a result of this strategy, our patient and prescribing HCP numbers continued to skyrocket in H1 FY21. Althea ended the calendar year with 12,273 patients in Australia, more than triple than at the end of the previous year (CY19 – 4,018 patients). In addition to the strong growth in patients, the number of HCPs that have prescribed Althea medicinal cannabis products reached a total of 834, more than double than in the prior corresponding period.

While many of the interactions between our infield sales team and HCPs continued to be conducted virtually in the latter half of 2020 due to Covid-19, further enhancements were made to *Althea Concierge™* which allowed HCPs to fully support their patients despite the difficult circumstances. For example, *Althea Concierge*™ was upgraded to incorporate functionality that enabled online (contactless) prescription fulfilment. The product home delivery feature was well-received and has become an important part of Althea's unique value proposition.

Thanks to such initiatives, Althea achieved record revenue of $2.7m in the December quarter, a 29% increase on the September quarter. Also, Australian sales were a record $902,466 in December 2020, an increase of 22% month-on-month.

During the half-year, we also welcomed some important progress on the regulatory front. In December, the Therapeutic Goods Administration issued its final decision to down-schedule low dose CBD from schedule 4 (Prescription only) to Schedule 3 (Pharmacist Only medicines), meaning that some patients may no longer require a doctor's prescription to access low dose CBD products. Althea fully supports this decision as it will assist in increasing patient access, and we believe the non-prescription cannabis channel will create significant growth opportunities for the brand. We are making progress regarding registration pathways for current and future Althea products for this category.

United Kingdom

Althea UK continued to achieve significant revenue growth during H1 FY21. We ended the year strongly in the emerging market, recording sales of $209,706 in December 2020, an increase of 90% from November 2020 and further evidence of Althea's first-mover advantage in the territory.

This positive momentum is being driven by our infield sales team's efforts to educate and onboard additional prescribing specialists.

Supporting the growth in revenue has been the addition of two authorised distributor agreements in the UK. In December, the Company agreed to a new supply and distribution agreement with Lyphe Group for the resale of Althea products in the United Kingdom and Jersey. Post H1 FY21, we completed the export of our first commercial shipment of Althea products to UK-based medicinal cannabis distributer Grow Pharma, building upon an agreement we signed with them in 2020. We also expanded that agreement to include two additional jurisdictions, the Isle of Man and Guernsey.

Althea's wholly-owned UK subsidiary MyAccess Clinics has also continued to grow at a healthy rate. The clinic is experiencing solid growth in both new patient and follow-up appointments, with the latter helping to generate solid repeat business.

Canada

In September, Althea's wholly-owned Canadian subsidiary Peak Processing Solutions obtained its Standard Processing Licence from Health Canada, which allows Peak's state-of-the-art facility to officially start producing and selling cannabis products.

Since obtaining the licence, Peak has been active in executing several manufacture and production agreements in the burgeoning Cannabis 2.0 sector, building on the agreement signed with Collective Project Limited, the cannabis-focused sister company of Collective Arts Brewing Limited, in June 2020.

In November, Peak 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 one. Production under this agreement commenced in November 2020. That same month, Peak entered a Manufacturing and Distribution Services Agreement with Canadian cannabis beverage start-up, Electric Brands to produce two canned beverage SKUs. Electric Brands, a company founded by ex-Coca Cola Canada and Canopy Growth executives, aims to develop global, iconic cannabis-infused beverages for the fast-growing Canadian adult-use cannabis market.

Together, these contracts have a total forecasted revenue of up to CAD$4.65M over the twelve-month period from November 2020.

In December, Peak entered into a further agreement with The Tinley Beverage Company (CSE:TNY) for the manufacture and distribution of three cannabis-infused beverages into the Canadian adult-use cannabis market. Under the agreement, Peak holds exclusivity for the manufacture and distribution of the three Tinley's products in Canada. An initial order representing more than CAD $100,000 in revenue for Peak is planned for delivery in Q2 2021, with strong consumer demand expected to result in similar monthly orders. The agreement is for an initial 3-year period.

Additionally, Peak has signed several product development agreements, working with customers that are in the earlier stages of their market entry strategy.

The agreements to date are evidence of Peak's growing presence in the Cannabis 2.0 sector. Peak continues to attract strong interest from other leading companies in the space and has a solid pipeline of potential opportunities it is working through.

INTERNATIONAL EXPANSION

Germany

In November, Germany's health regulator (BfArM) granted all necessary licences for the sale and distribution of Althea products in Germany.

Immediately following this, Althea commenced arrangements for the shipment of an initial order of 2,000 Althea products valued at approximately $1M to our local partner in Germany, Nimbus Health GmbH ('Nimbus'). In February 2021, that shipment arrived.

The initial shipment is being distributed by Nimbus, a leading German pharmaceutical wholesaler specialising in medicinal cannabis, through its vast network of partner pharmacies. Guided by Althea, Nimbus will bolster its existing sales processes to accelerate the growth of the Althea brand in what is already the biggest medicinal cannabis market in Europe, and poised to become one of the largest in the world[1].

A comprehensive marketing strategy incorporating an infield sales team and *Althea Concierge*™ is in the final stages of planning, with customer interactions commencing shortly. Nimbus is adopting the same market access strategy that Althea has successfully implemented in Australia and the UK.

We are very excited about our German expansion due to the strong fundamentals of the German market, which is expected to grow to EUR7.7BN (A$12.2BN) by 2028, according to a recent report by cannabis market intelligence firm Prohibition Partners.[1]

South Africa

In December, we expanded farther abroad, signing a new supply agreement in South Africa.

Specifically, Althea's wholly-owned subsidiary, Althea Company Pty Ltd, signed a wholesale supply agreement with MG Biotech Ventures (Pty) Ltd and AfriCann (Pty) Ltd (collectively, 'AfriCann'). Under the agreement, and following receipt of all required licences and permits, AfriCann will import a range of Althea branded finished products for sale and distribution in South Africa.

The agreement represents a revenue forecast of approximately $650,000 for the Company over the initial term of 2.5 years and we expect the first shipment of products to be delivered in Q2 CY21. Given that the legal medicinal cannabis industry in South Africa will be worth an estimated US$667M by 2023 according to Prohibition Partners[2], we believe the agreement will create a significant growth opportunity and potential additional revenue stream for us.

1. https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02339627-3A560936?access_token=83ff96335c2d45a094df02a206a39ff4
2. https://cdn-api.markitdigital.com/apiman-gateway/ASX/asx-research/1.0/file/2924-02317777-3A557214?access_token=83ff96335c2d45a094df02a206a39ff4

Corporate

In December, we announced the completion of a $6M institutional placement to sophisticated and professional investors and plans to follow that with a Share Purchase Plan to raise approximately $3M. The latter was subsequently completed in January 2021, raising a higher amount of $3.78M due to excess demand. We are using the funding to further accelerate growth across all our global businesses, including sales and marketing initiatives, new product research and development (e.g., Schedule 3 CBD medicines for Australia) and additional upgrades to *Althea Concierge*™.

For the remainder of the fiscal year, we remain laser-focused on executing our strategic initiatives and delivering shareholder value. We thank all of our shareholders for their continuing support and look forward to updating you on our progress.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 21 December 2020, Althea Group Holdings Limited issued 13,636,364 fully paid ordinary shares at an issue price of $0.44 per share. This resulted in net proceeds from the share issue of $5,621,000.

Other than noted above, there were no significant changes in the state of affairs of the consolidated entity during the financial half year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 15 January 2021, Althea Group Holdings Limited completed a Share Purchase Plan, with funds received from the SPP totalling $3,781,000 which resulted in the issuance of 8,593,373 new shares to participating shareholders on 27 January 2021.

The impact of the Coronavirus (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 maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 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.

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.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Andrew Newbold
Chairman

24 February 2021

AUDITOR'S INDEPENDENCE DECLARATION

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 review of the financial report of Althea Group Holdings Limited for the half year ended 31 December 2020, 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

B Y CHAN
Partner

Dated: 24 February 2021
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Consolidated	
REVENUE	**Note**	**31 December 2020 $'000**	**31 December 2019 $'000**
Revenue	4	5,098	1,852
Cost of goods sold		(2,327)	(826)
Gross profit		2,771	1,026
Interest income		7	178
EXPENSES			
Employee benefits expense		(5,250)	(2,426)
Depreciation and amortisation expense		(825)	(296)
Share based payment expense		(876)	(434)
Other expenses		(87)	(319)
Distribution expenses		(563)	(335)
Marketing expenses		(585)	(1,822)
Occupancy expenses		(73)	(98)
Professional services	5	(726)	(2,284)
Foreign exchange loss	5	(1,529)	(387)
Administration expenses		(454)	(529)
Finance costs	5	(84)	(625)
Loss before income tax expense		(8,274)	(8,351)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Althea Group Holdings Limited		**(8,274)**	**(8,351)**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		767	(37)
Other comprehensive income for the half-year, net of tax		767	(37)
Total comprehensive loss for the half-year attributable to the owners of Althea Group Holdings Limited		**(7,507)**	**(8,388)**
		Cents	**Cents**
Basic loss per share	15	(3.50)	(3.68)
Diluted loss per share	15	(3.50)	(3.68)

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	
		31 December 2020	Restated 30 June 2020
ASSETS	Note	$'000	$'000
Current assets			
Cash and cash equivalents		8,644	10,143
Trade and other receivables	6	1,424	1,388
Inventories	7	4,765	2,231
Other		1,090	1,618
Total current assets		**15,923**	**15,380**
Non-current assets			
Other financial assets		293	285
Property, plant and equipment	8	14,407	14,126
Right-of-use assets		2,509	2,665
Intangibles	9	19,823	19,925
Total non-current assets		**37,032**	**37,001**
Total assets		**52,955**	**52,381**
LIABILITIES			
Current liabilities			
Trade and other payables	10	3,713	2,944
Lease liabilities		170	178
Provisions		449	313
Other		182	75
Total current liabilities		**4,514**	**3,510**
Non-current liabilities			
Lease liabilities		2,465	2,543
Other		419	206
Total non-current liabilities		**2,884**	**2,749**
Total liabilities		**7,398**	**6,259**
Net assets		**45,557**	**46,122**
EQUITY			
Issued capital	11	64,398	54,403
Reserves	12	14,747	17,033
Accumulated losses		(33,588)	(25,314)
Total equity		**45,557**	**46,122**

Refer to note 2 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 half-year	-	-	-	-	(8,351)	(8,351)
Other comprehensive loss for the half-year, net of tax	-	-	(37)	-	-	(37)
Total comprehensive loss for the half-year	-	-	**(37)**	-	**(8,351)**	**(8,388)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	28,671	-	-	-	-	28,671
Performance rights expense	-	434	-	-	-	434
Exchangeable shares issued on acquisition	-	-	-	17,134	-	17,134
Adjustment for correction of error (note 2)	-	-	-	(1,895)	-	(1,895)
Restated balance at 31 December 2019	**54,403**	**2,275**	**(12)**	**15,239**	**(18,897)**	**53,008**

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
Restated balance at 1 July 2020	54,403	1,348	446	15,239	(25,314)	46,122
Loss after income tax expense for the half-year	-	-	-	.	(8,274)	(8,274)
Other comprehensive income for the half-year, net of tax	-	-	767	-	-	767
Total comprehensive income for the half-year	-	-	767	-	**(8,274)**	**(7,507)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 11)	5,621	-	-	-	-	5,621
Performance rights expense	-	1,321	-	-	-	1,321
Exchangeable shares issued on acquisition	4,374	-	-	(4,374)	-	-
Balance at 31 December 2020	**64,398**	**2,669**	**1,213**	**10,865**	**(33,588)**	**45,557**

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	31 December 2020 $'000	31 December 2019 $'000
Receipts from customers (inclusive of GST)		4,696	1,545
Payments to suppliers and employees (inclusive of GST)		(11,378)	(12,847)
Other revenue		1,203	-
Interest received		5	178
Interest paid		(7)	(538)
Net cash used in operating activities	14	**(5,481)**	**(11,662)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		-	(1,655)
Payments for property, plant and equipment	8	(1,249)	(1,652)
Payments for intangibles	9	(194)	(1,191)
Net cash used in investing activities		**(1,443)**	**(4,498)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares, net of transaction costs	11	5,621	28,672
Repayment of borrowings on acquisition		-	(3,315)
Proceeds from borrowings		21	-
Repayment of lease liabilities		(86)	(260)
Loans to other entities		-	(1,423)
Payment of bank guarantee		(71)	(49)
Net cash from financing activities		**5,485**	**23,625**
Net increase/(decrease) in cash and cash equivalents		(1,439)	7,465
Cash and cash equivalents at the beginning of the financial half-year		10,143	14,918
Effects of exchange rate changes on cash and cash equivalents		(60)	(22)
Cash and cash equivalents at the end of the financial half-year		**8,644**	**22,361**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(b) Functional and presentation currency

The interim consolidated financial statements are presented in Australian Dollars, which is Althea's functional currency and amounts have been rounded to the nearest thousand dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191.

(c) Going concern

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

Where required by Accounting Standards, comparative balances have been re-classified to conform with changes in presentation for the current financial year.

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.

NOTE 2. 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 half-year ended 31 December 2019. As a consequence, the goodwill on acquisition and deferred consideration reserve was overstated by $1,895,075. Extracts (being only those line items affected) are disclosed below.

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			
Goodwill	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			
Reserves	18,928	(1,895)	17,033
Total equity	**48,017**	**(1,895)**	**46,122**

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity is organised into 3 operating segments: Australia, United Kingdom and Canada. 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.

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 half-year ended 31 December 2020 approximately 3% (2019: 17%) of the consolidated entity's external revenue was derived from sales to one customer.

OPERATING SEGMENT INFORMATION

CONSOLIDATED - 31 DECEMBER 2020	Australia $'000	United Kingdom $'000	Canada $'000	Intersegment eliminations/unallocated $'000	Total $'000
Revenue					
Sales to external customers	4,238	469	192	(37)	4,862
Other revenue	160	-	76	-	236
Interest revenue	6	-	1	-	7
Total revenue	**4,404**	**469**	**269**	**(37)**	**5,105**
EBITDA	(4,576)	(1,222)	(1,702)	128	(7,372)
Depreciation and amortisation expense	(466)	(16)	(343)	-	(825)
Interest revenue	6	-	1	-	7
Finance costs	(83)	(1)	-	-	(84)
Profit/(Loss) before income tax expense	**(5,119)**	**(1,239)**	**(2,044)**	**128**	**(8,274)**
Income tax expense					-
Loss after income tax expense					**(8,274)**
ASSETS					
Segment assets	35,118	266	31,592	(14,021)	52,955
Total assets					**52,955**
LIABILITIES					
Segment liabilities	6,335	387	728	(52)	7,398
Total liabilities					**7,398**

NOTE 3. OPERATING SEGMENTS (CONTINUED)

CONSOLIDATED - 31 DECEMBER 2019	Australia $'000	United Kingdom $'000	Canada $'000	Intersegment eliminations/unallocated $'000	Total $'000
Revenue					
Sales to external customers	1,845	7	-	-	1,852
Interest revenue	178	-	-	-	178
Total revenue	**2,023**	**7**	-	-	**2,030**
EBITDA	(4,729)	(1,984)	(895)	-	(7,608)
Depreciation and amortisation expense	(270)	(2)	(24)	-	(296)
Interest revenue	178	-	-	-	178
Finance costs	(84)	(1)	(540)	-	(625)
Loss before income tax expense	**(4,905)**	**(1,987)**	(1,459)	-	**(8,351)**
Income tax expense					-
Loss after income tax expense					**(8,351)**
CONSOLIDATED - 30 JUNE 2020					
ASSETS					
Segment assets	48,551	467	15,163	(11,800)	52,381
Total assets					**52,381**
LIABILITIES					
Segment liabilities	4,841	5,846	1,081	(5,509)	6,259
Total liabilities					**6,259**

NOTE 4. REVENUE

DISAGGREGATION OF REVENUE

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

	Consolidated	
	31 December 2020 $'000	31 December 2019 $'000
Sales Channels		
Goods sold directly to registered pharmacies and consumers	4,733	1,534
Goods sold through intermediaries	129	317
Other income	236	1
	5,098	**1,852**
Geographical regions		
Australia	4,398	1,845
United Kingdom	469	7
Canada	231	-
	5,098	**1,852**
Timing of revenue recognition		
Goods transferred at a point in time	5,001	1,852
Services transferred over time	97	-
	5,098	**1,852**

NOTE 5. EXPENSES

	Consolidated	
LOSS BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:	31 December 2020 $'000	31 December 2019 $'000
Finance costs		
Interest and finance charges paid/payable on borrowings	7	547
Interest and finance charges paid/payable on lease liabilities	77	78
	84	625
Foreign exchange loss		
Unrealised foreign exchange loss	1,439	255
Realised foreign exchange loss	90	132
	1,529	387
Professional services		
Accounting and taxation services	87	132
Consulting services	627	1,147
Legal fees	12	213
Acquisition related professional fees	-	749
Other professional fees	-	43
	726	2,284

NOTE 6. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Trade receivables	1,366	801
Less: Allowance for expected credit losses	(37)	(37)
	1,329	**764**
Other receivables	95	312
R&D tax incentive receivable	-	312
	1,424	**1,388**

ALLOWANCE FOR EXPECTED CREDIT LOSSES

The consolidated entity has recognised a loss of $nil (period ended 30 June 2020: $37,000) in profit or loss in respect of the expected credit losses for the period ended 31 December 2020.

NOTE 7. CURRENT ASSETS - INVENTORIES

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Raw materials - at cost	1,260	900
Work in progress - at cost	857	2
Finished goods - at cost	2,216	1,106
Packaging and supplies	432	223
	4,765	**2,231**

NOTE 8. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Land - at cost	572	600
Buildings - at cost	8,352	2,399
Less: Accumulated depreciation	(240)	(102)
	8,112	2,297
Asset under construction - at cost	1,670	7,331
Plant and equipment - at cost	3,297	3,008
Less: Accumulated depreciation	(138)	(9)
	3,159	2,999
Computer equipment - at cost	495	381
Less: Accumulated depreciation	(126)	(66)
	369	315
Office equipment - at cost	602	628
Less: Accumulated depreciation	(77)	(44)
	525	584
	14,407	**14,126**

NOTE 9. NON CURRENT ASSETS - INTANGIBLES

	Consolidated	
	31 December 2020 $'000	Restated 30 June 2020 $'000
Goodwill	17,737	17,737
Website - at cost	229	190
Less: Accumulated amortisation	(51)	(27)
	178	163
Patents and trademarks - at cost	87	63
Less: Accumulated amortisation	(4)	-
	83	63
Software - at cost	2,242	2,115
Less: Accumulated amortisation	(641)	(377)
	1,601	1,738
Intellectual Property - at cost	224	224
	19,823	**19,925**

NOTE 10. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Trade payables	2,157	1,742
Other payables	1,556	1,202
	3,713	**2,944**

NOTE 11. EQUITY - ISSUED CAPITAL

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 $'000	30 June 2020 $'000
Ordinary shares - fully paid	253,780,439	233,310,000	64,398	54,403

NOTE 11. EQUITY - ISSUED CAPITAL (CONTINUED)

MOVEMENTS IN ORDINARY SHARE CAPITAL

DETAILS	DATE	SHARES	ISSUE PRICE	$'000
Balance	1 July 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)
Balance	**31 December 2020**	**253,780,439**		**64,398**

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.

SHARE BUY-BACK

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

NOTE 12. EQUITY - RESERVES

	Consolidated	
	31 December 2020 $'000	30 June 2020 $'000
Foreign currency reserve	1,213	446
Share-based payments reserve	2,669	1,348
Deferred consideration reserve	10,865	15,239
	14,747	**17,033**

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. As part of the consideration paid, 25,808,644 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.

NOTE 13. 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:

		Ownership interest	
NAME	Principal place of business / Country of incorporation	31 December 2020 %	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	Canada	100.00%	100.00%
2613035 Ontario Limited	Canada	100.00%	100.00%
2682130 Ontario Limited	Canada	100.00%	100.00%

1214029 B.C. Ltd is an entity associated with acquisition of Peak Processing.

NOTE 14. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	31 December 2020 $'000	31 December 2019 $'000
Loss after income tax expense for the period	(8,274)	(8,351)
Adjustments for:		
Depreciation and amortisation	825	296
Share-based payments	876	434
Foreign exchange differences	1,439	255
Interest paid on investing activities	77	-
Bonus accrual paid in shares	445	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(36)	(982)
Increase in inventories	(2,534)	(1,987)
Decrease/(increase) in prepayments	528	(1,727)
Increase in trade and other payables	769	298
Increase in employee benefits	136	74
Increase in other provisions	268	28
Net cash used in operating activities	**(5,481)**	**(11,662)**

NOTE 15. LOSS PER SHARE

	Consolidated	
	31 December 2020 $'000	31 December 2019 $'000
Loss after income tax attributable to the owners of Althea Group Holdings Limited	(8,274)	(8,351)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	236,332,660	226,831,639
Weighted average number of ordinary shares used in calculating diluted earnings per share	236,332,660	226,831,639
	Cents	**Cents**
Basic loss per share	(3.50)	(3.68)
Diluted loss per share	(3.50)	(3.68)

19,163,488 (31 December 2019: 5,100,000) performance options, 2,675,000 (31 December 2019: 2,675,000) pre-IPO Consultant options and 19,019,569 exchangeable shares (31 December 2019: 25,853,644) have been excluded from the above calculations as their inclusion would be anti-dilutive.

NOTE 16. 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 Nomination and Remuneration 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 Nomination and Remuneration Committee.

OPTIONS

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

31 December 2020							
Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
21/09/2018	21/09/2022	$0.200	2,675,000	-	-	-	2,675,000
			2,675,000	-	-	-	**2,675,000**

NOTE 16. SHARE-BASED PAYMENTS (CONTINUED)

PERFORMANCE OPTIONS

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

Performance option class	Grant date	Vesting condition	Number
Class A	21/09/2018	Divided into 2 tranches as detailed below	5,100,000
Class B	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.127	343,743
Class C	01/07/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	511,267
Class D	27/11/2019	ATSR (CAGR) over relevant Measurement Period of $1.127	176,201
Class E	27/11/2019	ATSR (CAGR) over relevant Measurement Period of $1.296	176,201
Class F	06/05/2020	ATSR (CAGR) over relevant Measurement Period of $0.443	5,750,000
Class G	01/07/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	1,615,451
Class H	26/11/2020	ATSR (CAGR) over relevant Measurement Period of $0.548	390,625
Class I	01/12/2020	Minimum AUD$30m in group revenue in any 12 month rolling period within the measurement period	5,100,000

The terms and conditions of Class A performance rights over ordinary shares is as follows:

Tranche 1 - 2,550,000 Performance Rights will vest on satisfaction of all of the following milestones within 3 years of ASX-listing:

(i) Althea Group's consolidated revenue exceeds $2,000,000 in any 12 month rolling period; and

(ii) Althea Group is issued building permits by the Frankston City Council for construction of a medicinal cannabis growing facility, of a size and nature approved by the Board, on the land located at 150 Taylors Road, Skye Victoria.

Tranche 2 - 2,550,000 Performance Rights will vest on satisfaction of all of the following milestones within 3 years of ASX-listing:

(i) The market capitalisation of Althea Group Holdings, being the number of Shares on issue multiplied by the Volume Weighted Average Price per Share over any 20 consecutive trading days on which Shares in Althea Group Holdings have actually traded on ASX, equals or exceeds $100,000,000;

(ii) Completion of construction of the medicinal cannabis growing facility contemplated under the Tranche 1 milestones and the issue of an occupancy permit for the facility by the Frankston City Council; and

(iii) The cultivation permit required to allow operation of the medicinal cannabis growing facility contemplated under the Tranche 1 milestone is issued by the Office of Drug Control to a Group Entity.

The performance metric for vesting of the above Class B - H performance rights is absolute total shareholder return (ATSR) on a 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. CAGR is Compound Annual Growth Rate.

NOTE 16. SHARE-BASED PAYMENTS (CONTINUED)

Set out below are summaries of performance rights granted under the LTI plan:

31 December 2020							
Grant date	Expiry date	Exercise price	Balance at the start of the period	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the period
21/09/2018	21/09/2021	$0.000	5,100,000	-	-	-	5,100,000
01/07/2019	30/06/2021	$1.120	-	343,743	-	-	343,743
01/07/2019	30/06/2022	$1.290	-	511,267	-	-	511,267
27/11/2019	30/06/2021	$1.120	-	176,201	-	-	176,201
27/11/2019	30/06/2022	$1.290	-	176,201	-	-	176,201
06/05/2020	30/06/2022	$0.440	-	5,750,000	-	-	5,750,000
01/07/2020	30/06/2023	$0.540	-	1,615,451	-	-	1,615,451
26/11/2020	30/06/2023	$0.540	-	390,625	-	-	390,625
01/12/2020	30/11/2023	$0.000	-	5,100,000	-	-	5,100,000
			5,100,000	**14,063,488**	-	-	**19,163,488**

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/07/2019	30/06/2021	$1.000	$1.120	80.00%	-	0.99%	$0.646
01/07/2019	30/06/2022	$1.000	$1.120	80.00%	-	0.99%	$0.675
27/11/2019	30/06/2021	$0.410	$1.120	80.00%	-	0.70%	$0.102
27/11/2019	30/06/2022	$0.410	$1.290	80.00%	-	0.65%	$0.143
06/05/2020	30/06/2022	$0.380	$0.440	80.00%	-	0.23%	$0.262
01/07/2020	30/06/2023	$0.330	$0.540	80.00%	-	0.26%	$0.225
26/11/2020	30/06/2023	$0.480	$0.540	80.00%	-	0.07%	$0.345

NOTE 17. EVENTS AFTER THE REPORTING PERIOD

On 15 January 2021, Althea Group Holdings Limited completed a Share Purchase Plan, with funds received from the SPP totalling $3,781,000 which resulted in the issuance of 8,593,373 new shares to participating shareholders on 27 January 2021.

The impact of the Coronavirus (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 maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 31 December 2020 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.

DIRECTORS' DECLARATION

IN THE DIRECTORS' OPINION:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Andrew Newbold
Chairman

24 February 2021



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

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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 consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2020 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.

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.

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

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 2020 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 AUSTRALIA PARTNERS

B Y CHAN
Partner

Dated: 25 February 2021
Melbourne, Victoria


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