

For personal use only



**Advanced
Human
Imaging.**

PRELIMINARY FINAL REPORT (unaudited)

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021
(incorporating information pursuant to ASX listing rule
4.3A)**

**ADVANCED HUMAN IMAGING LIMITED
ACN 602 111 115
(FORMERLY MYFIZIQ LIMITED)**

APPENDIX 4E*

1. Details of the reporting period

Name of entity:	ADVANCED HUMAN IMAGING LIMITED
ABN:	85 602 111 115
Current reporting period	30 June 2021
Previous reporting period	30 June 2020

2. Results for announcement to the market

Financial Results	Result \$	Increase / (Decrease) \$	Increase / (Decrease) %
Revenues from continuing activities	1,244,466	577,269	86.5%
Loss from continuing activities after tax attributable to members	(14,060,992)	8,664,480	160.6%
Net loss for the period attributable to members	(14,060,992)	8,664,480	160.6%

The current year includes \$7.3 million in share-based payments (2020: \$2.1 million) and \$2.8 million in impairment charges (2020: nil). When adjusted for these non-cash items, the loss for the financial year is approximately \$3.95 million (2020: \$3.32 million). Refer to the Company Overview for further information.

3. Dividends

Dividends	Amount per security	Franked amount per security
Final dividend proposed	Nil	n/a
Interim dividend	Nil	n/a
Record date for determining entitlement to the dividend (if any)	n/a	n/a

4. Net tangible asset backing

	2021	2020
NTA Backing		
Net tangible asset backing per ordinary share on issue (cents)	0.6 cents	(0.8) cents

5. Control gained over entities

No control gained over entities in the current period.

6. Loss of control over entities

No loss of control over entities in the current period.

APPENDIX 4E

7. Details of associates and joint venture entities

Joint venture entities:

The Company has a 50% holding in the Joint Venture entity Body Composition Technologies Pte Limited, a company incorporated in Singapore. Refer to Note 23 of the Preliminary Financial Report.

8. Foreign entities

Not applicable

9. Financial Statements and Audit

The financial statements included in the preliminary final report are unaudited and based on accounts which are in the process of being audited by PKF Perth*.

10. Audit opinion

The attached preliminary financial report for the year ended 30 June 2021 which forms part of this Appendix 4E. is anticipated that the independent audit report will be subject to an emphasis of matter, which relates to the entity's ability to continue trading as a going concern. We anticipate that the auditor's opinion will not be modified and we draw your attention to Note 1(a)(i) in the Preliminary Final Report.

*Authorised for release by the board of Advanced Human Imaging Limited.

Location Table for Information required by Appendix 4E

Appendix paragraph	4E	Location of Information
1		Results Summary – 1. Details of reporting period
2		Results Summary – 2. Results for announcement to the market
3		Financial Statements – Preliminary Statement of Profit or Loss and Other Comprehensive Income
4		Financial Statements – Preliminary Statement of Financial Position
5		Financial Statements – Preliminary Statement of Cash Flows
6		Financial Statements – Preliminary Statement of Changes in Equity
7		Results Summary – not applicable
8		Results Summary – not applicable
9		Results Summary – 4. Net Tangible Assets per Security
10		Results Summary – 5. Control gained over entities and 6. Loss of control over entities
11		Results Summary – 7 Details in associates and joint ventures
12		Results Summary / Financial Statements
13		Not applicable
14		Financial Statements – Directors Company Overview commentary and Notes
15		Results Summary – 9 Financial Statements and Audit
16		Results Summary – 10 Audit Opinion
17		Not applicable

Company Overview

The Directors are please to present the Company overview, together with the preliminary financial statements, on the consolidated entity (referred to hereafter as the “consolidated entity”) consisting of Advanced Human Imaging Limited (“the parent entity” or “the Company” or “AHI” and formerly known as MyFiziq Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Principal Activities and Operating Model

The Company has developed and patented a proprietary measurement/dimensioning technology that enables an end user to check, track, and accurately assess their body dimensions privately using only a smartphone. The Company refers to this physical measurement and analytics tool as “BodyScan.”

The Company has global channel partners (“Partners”) who utilize its technology through a Software Development Kit (“SDK”). The Company’s global Partners have substantial audiences that they address, and from those underlying audiences, individual end users sign up for, and are given access to, the Partners’ software programs/apps that embed our technology components.

Our global Partners currently include companies within the following sectors:

- (i) Mobile Health (“mHealth”), and Telehealth;
- (ii) Life and Health Insurance;
- (iii) Fitness; Wellness; and
- (iv) Consumer Apparel.

During the financial year, the Company signed a formal reseller agreement with Canadian-based NuraLogix Corporation (“NuraLogix”). The NuraLogix technology, which the Company refers to as “FaceScan”, has been integrated into AHI’s *CompleteScan* platform,

The Company also made strategic investments in Triage Technologies Inc. (“Triage”), Jana Care Inc. (“Jana”) and Physimax Technologies Ltd (“Physimax”). These strategic investments relate to the further development of AHI’s *CompleteScan* platform, and incorporates “DermaScan”, “MKScan” and “HemaScan” as described in the table below:

ENTITY	COMPLETESCAN COMPONENT	SHORT DESCRIPTION
Triage	DermaScan	Skin disease detection for over 500 skin conditions.
Physimax	MKScan	AI-powered Musculoskeletal Optimisation Platform.
Jana Care	HemaScan	Blood biomarker assisted chronic disease assessment and monitoring.

During the financial year the consolidated entity also progressed its application to list on the NASDAQ with the F-1 registration statements being publicly filed with the US Securities and Exchange Commission in August 2021.

Other than the transactions listed above, there has been no significant changes in the nature of activities during the financial year.

For personal use only

Company Overview

Review of Operations

Operating results and financial position

The net loss after income tax for the financial year was \$14,060,992 (2020: \$5,396,512), which includes \$10,108,653 (2020: \$2,073,776) in respect of impairment charges and share-based payments to suppliers, directors and employees under the Company's incentive plans.

Before share-based payments and impairment charges, the consolidated entity's adjusted net loss after income tax for the financial year is \$3,952,339 (2020: \$3,322,736) as shown in the table below.

Table 1. Non-IFRS reconciliation showing the impact of Share-based payments and Impairment on Total comprehensive loss for the year

	Year Ended 30 June 2021 \$	Year Ended 30 June 2020 \$
Total comprehensive loss for the year	14,060,992	5,396,512
Less: Share-based payments (non-cash) in relation to:		
Directors and employees remuneration	6,230,996	1,120,357
Corporate advisory services	92,520	918,919
Investor relations	972,450	34,500
	7,295,966	2,073,776
Less: Impairment expense (non-cash)	2,812,687	-
Adjusted total comprehensive loss for the year (before share-based payments and impairment charges)	3,952,339	3,322,736

The non-IFRS reconciliation described in the table above is intended to supplement the Company's IFRS financial information by providing additional insight regarding results of operations of the Company. The adjusted total comprehensive loss for the year is intended to provide an enhanced understanding of the underlying operational measures used to manage the Company's business, to evaluate performance compared to prior periods and the marketplace, and to establish operational goals. Adjusted Total comprehensive loss should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS.

Cash assets at the end of the financial year were \$2,172,499 (2020: \$627,304).

Operating activities

During the financial year the consolidated entity progressed the development and commercialisation of its technology with the following highlights:

i. \$5m capital raised

The Company completed a \$5 million placement with institutional and sophisticated investors in October 2020 to facilitate the expansion of its research and development team and to expedite the go-to-market timelines of current announced partners and to progress its listing on the NASDAQ.

Company Overview

ii. Revenue

Total revenue increased from \$667,197 to \$1,244,466 during the financial year, an increase of 86.5%. The increase is largely attributable to \$500,000 in license revenue received from the Company's joint venture partner, Body Composition Technologies Pte Ltd ("BCT"). The Company expects its current growth to continue, with Partners having already launched (with the AHI's technology embedded) and more to follow in the new financial year.

At the date of this report, the following Partners had launched their applications (with AHI's technology embedded):

- Evolt
- Bearn
- Biomorphik
- TRUCONNECT (The Original fit Factory/ "TOFF")

Further product launches with a number of Partners are expected in the new financial year, including that of Tinjoy (refer to the ASX announcement dated 18 August 2021) and Nexus-Vita (refer to the ASX announcement dated 23 June 2021).

iii. Strategic Investments

During the financial year, the Company's joint venture partner Body Composition Technologies Pte Ltd ("BCT") undertook a \$1.92m capital raising by way of convertible note. AHI participated in the raising, by making an investment in the amount of \$670,333 which will allow the Company to take a majority stake of up to 54% in BCT on conversion. Although BCT has not yet started generating revenue, taking a majority stake provides the Company with a strategic advantage in that it will result in the consolidation of additional revenue in future (not guaranteed). Additionally, with the Company's current NASDAQ initiative, having a controlling interest in BCT is likely to be viewed in favourable light by US investors and potentially a catalyst for an increase in the Company's NASDAQ valuation (refer note 24).

Additionally, AHI completed due diligence on its partnership and investment in Canadian-based Triage Technologies Inc. (Triage), which includes the signing of a binding license agreement and subscription agreement. Under the terms of the license agreement, the companies expect to complete the integration of the Triage application into AHI's *CompleteScan* platform, with the first demonstrable "*DermaScan*" product expected to be made available early in the new financial year. This will be a demonstration product and will only be sold to jurisdictions where the medical approvals have been achieved (refer note 24).

Furthermore, AHI concluded a terms sheet and investment strategy with US-based on-device blood pathology company Jana Care Inc. (Jana). Jana has developed and patented an on-device blood screening tool called Aina. The patented Aina device can provide rapid, accurate readouts of key blood chemistry elements in several chronic disease categories: cardiovascular, renal, and metabolic (CVRM). The Aina device will be integrated with AHI's *CompleteScan* platform and is referred to by the Company as "HemaScan". A summary of the material terms has been disclosed on the ASX announcement dated 20 May 2021 (refer note 24).

On 6 July 2021, AHI announced it had concluded its due diligence for the proposed acquisition of Israeli-based musculoskeletal assessment (MSK) company, Physimax Technologies Limited (Physimax). The parties are now in the process of updating the Acquisition Agreement which is expected to result in a material reduction in the acquisition amount as announced on 19 April 2021. The parties are now in the process of finalising the Acquisition Agreement. Physimax's AI-powered musculoskeletal optimisation platform is to be integrated with AHI's *CompleteScan* platform and is referred to by the Company as "MKScan" (refer note 24).

AHI's full suite of products, noting the addition of the investments referred to above, is well-represented in the graphic below:

Company Overview

CompleteScan: Edge AI Technology.

Smartphone based human scanning technology, unlocking a diverse range of data-driven applications.

+ Fitness + mHealth + Life & Health Insurance + Apparel




BodyScan
Body circumference, body composition, health indicators, health risks.




FaceScan
Unlock vital signs, health indicators, health risks.



DermaScan
Skin disease detection for over 500 skin conditions.
COMING SOON



MKScan
AI-Powered Musculoskeletal Optimization Platform.
POTENTIAL ACQUISITION



HemaScan
Blood biomarker assisted chronic disease assessment & monitoring.
COMING SOON



Platforms



Issued Patents



iv. NASDAQ Listing

The Company announced on the ASX Platform on 27 August 2021 that it had publicly filed an F-1 registration statement with the US Securities and Exchange Commission. The Company announced further that it would be working with Maxim Group LLC as the lead underwriter, that it had appointed Lucosky Brookman LLP as its legal counsel, and PKF International Limited to undertake the accounting due diligence process. A registration statement relating to these securities has been filed with the SEC but has not yet become effective. These securities may not be sold, nor may offers to buy be accepted, prior to the time the registration statement becomes effective.

The above-mentioned summary does not constitute an offer to sell or the solicitation of an offer to buy any securities. Any offers, solicitations, or offers to buy, or any sales of securities will be made in accordance with the registration requirements of the *Securities Act of 1933*, as amended ("Securities Act"). This update is being issued in accordance with Rule 135 under the Securities Act. I look forward to providing further clarity as soon as practically possible.

For personal use only

Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

For the year ended 30 June 2021

	Note	Year Ended 30 June 2021 \$	Year Ended 30 June 2020 \$
Revenue			
Primary revenue			
Recurring revenue – per month		-	139,492
Software development kits – per user		13,931	366
Software development kits – per scan		597	32
Secondary revenue			
Integration and development income		46,330	-
Pilot income		32,492	525
Other Income			
Other revenue	3	1,108,987	526,768
Interest income		42,129	14
Total revenue		1,244,466	667,197
Expenses			
Employee expenses	3	(9,886,211)	(3,899,432)
Consulting and advisory		(299,330)	(87,924)
Corporate		(455,672)	(332,583)
Brand development and patent costs		(218,431)	(215,297)
Marketing and publicity		(1,228,652)	(1,052,672)
Telecommunications & IT		(220,213)	(140,710)
Occupancy costs		(32,080)	(63,956)
Financing costs		(250,668)	(143,582)
Foreign exchange losses		147,105	(1,135)
Amortisation and depreciation expense		(349,387)	(245,645)
Impairment of assets		(2,812,687)	-
US Office set up		(129,452)	-
Administration and other expenses		(354,192)	(546,991)
Total expenses		(16,089,870)	(6,729,927)
Loss before income tax		(14,845,404)	(6,062,730)
Income tax benefit	4	784,412	666,218
Net loss for the year		(14,060,992)	(5,396,512)
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to members		(14,060,992)	(5,396,512)
Loss per share			
Basic and diluted loss per share	5	(11.20)	(5.16)

The Notes to the Consolidated Financial Statements form part of this Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Consolidated Statement of Financial Position (unaudited)

As at 30 June 2021

	Note	30 June 2021 \$	30 June 2020 \$
Current assets			
Cash and cash equivalents	7	2,172,499	627,304
Trade and other receivables	8	243,300	294,122
Prepayments	9	905,355	294,568
Inventories	10	-	4,734
Total current assets		3,321,154	1,220,728
Non-current assets			
Other financial assets	11	37,500	37,500
Right-of-use asset	12	105,594	175,992
Property, plant and equipment	13	58,615	78,295
Loans receivable - related entities	22	-	68,500
Loans receivable - other	25	682,421	-
Investments	24	-	-
Development asset at cost	14	1,215,915	1,373,492
Total non-current assets		2,100,045	1,733,779
Total assets		5,421,199	2,954,507
Current liabilities			
Trade and other payables	15	555,057	785,939
Employee leave liabilities	16	438,991	312,463
Deferred income		132,800	-
Interest bearing borrowings	17	2,178,142	865,000
Lease liabilities	18	86,913	68,144
Total current liabilities		3,391,903	2,031,546
Non-current liabilities			
Interest bearing borrowings	17	-	322,331
Lease liabilities	18	51,212	138,124
Total non-current liabilities		51,212	460,455
Total liabilities		3,443,115	2,492,001
Net Assets		1,978,084	462,506
Equity			
Issued capital	19	39,213,794	24,355,213
Reserves		5,293,019	4,576,829
Accumulated losses		(42,528,729)	(28,469,536)
Total Equity		1,978,084	462,506

The Notes to the Consolidated Financial Statements form part of this Consolidated Statement of Financial Position.

Consolidated Statement of Changes in Equity (unaudited)

For the financial year ended 30 June 2021

	Issued capital	Accumulated losses	Equity compensation reserve	Convertible note reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2019	13,782,565	(23,163,558)	9,902,156	27,633	548,796
Net loss for the year	-	(5,396,512)	-	-	(5,396,512)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(5,396,512)	-	-	(5,396,512)
Capital raising	2,000,000	-	-	-	2,000,000
Costs of capital raising	(123,000)	-	-	-	(123,000)
Options and rights exercised	6,262,369	-	(6,166,243)	-	96,126
Options expired	-	90,534	(90,534)	-	-
Performance shares expired	(300)	-	-	-	(300)
Conversion of convertible notes	1,337,079	-	-	(27,633)	1,309,446
Share-based payments					
Suppliers	556,500	-	396,919	-	953,419
Directors	540,000	-	-	-	540,000
Employees	-	-	534,531	-	534,531
At 30 June 2020	24,355,213	(28,469,536)	4,576,829	-	462,506
	Issued capital	Accumulated losses	Equity compensation reserve	Convertible note reserve	Total
	\$	\$	\$	\$	\$
At 1 July 2020	24,355,213	(28,469,536)	4,576,829	-	462,506
Net loss for the year	-	(14,060,992)	-	-	(14,060,992)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(14,060,992)	-	-	(14,060,992)
Capital raising	5,000,000	-	-	-	5,000,000
Costs of capital raising	(1,085,468)	-	-	-	(1,085,468)
Options and rights exercised	6,006,549	-	(2,709,020)	-	3,297,529
Options expired	-	1,799	(1,799)	-	-
Option exercise proceeds	-	-	335,000	-	335,000
Share-based payments					
Suppliers	1,017,500	-	781,012	-	1,798,512
Directors	3,920,000	-	1,915,485	-	5,835,485
Employees	-	-	395,512	-	395,512
At 30 June 2021	39,213,794	(42,528,729)	5,293,019	-	1,978,084

The Notes to the Consolidated Financial Statements form part of this Consolidated Statement of Changes in Equity.

Consolidated Statement of Cash Flows (unaudited)

As at 30 June 2021

	Note	30 June 2020 \$	30 June 2019 \$
Cash flows from operating activities			
Receipts from customers		1,414,155	153,291
Other income		-	663,624
Research & Development tax incentive and EDMG grant		851,912	666,218
Interest received		7,248	14
Interest and other costs of finance paid		(71,593)	(53,472)
Payments to suppliers and employees		(6,287,737)	(4,126,939)
Net cash flows used in operating activities	7	(4,086,015)	(2,697,264)
Cash flows from investing activities			
Payments for property, plant and equipment		(23,453)	(62,372)
Payments for application development costs		(64,693)	(103,810)
Loans from related party		68,500	81,500
Loans to other entities		(647,870)	-
Payments for investments		(2,760,947)	-
Net cash flows used in investing activities		(3,428,463)	(84,682)
Cash flows from financing activities			
Proceeds from borrowings		1,821,810	1,612,331
Repayment of borrowings		(865,000)	(698,000)
Repayment of lease liabilities	18	(68,143)	(4,923)
Proceeds from the issue of shares		8,624,029	2,050,000
Payments for share issue costs		(396,975)	(123,000)
Net cash flows from financing activities		9,115,721	2,836,408
Net decrease in cash assets		1,601,243	54,462
Cash at the beginning of the financial year		627,304	573,977
Cash at the end of the financial year	7	2,228,547	628,439
Unrealised foreign currency losses		(56,048)	(1,135)
Cash at the bank as per the balance sheet		2,172,499	627,304

The Notes to the Consolidated Financial Statements form part of this Consolidated Statement of Cash Flows.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies

Advanced Human Imaging Limited (the “Company”, “the parent entity” or “AHI”) is a listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2021 comprises the Company and its subsidiaries, together referred to as the consolidated entity.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of financial report

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, and Australian Accounting Standards and Interpretations. The consolidated financial statements are presented in Australian dollars and have been prepared on a historical cost basis, except for available for sale investments and derivative financial instruments which have been measured at fair value. Cost is based on the fair values of consideration given in exchange for assets. For the purpose of preparation of the consolidated financial statements the consolidated entity is a for-profit entity.

The accounting policies below have been consistently applied to all of the periods presented unless otherwise stated.

Going Concern

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

For the year ended 30 June 2021, the consolidated entity incurred an operating loss of \$14,060,992 which included significant non-cash items, such as a provision for impairment as well as share-based payments, of approximately \$10,108,653. The adjusted non-IFRS operating loss, after making an adjustment for the non-cash items referred to above, is \$3,952,339. Notwithstanding the fact the Company incurred an operating loss, and has a net cash outflow from operating activities amounting to \$4,086,015, the Directors are of the opinion that the consolidated entity is a going concern for the following reasons:

- As mentioned in the Company’s Appendix 4C Quarterly Cash Flow Report for Entities subject to Listing Rule 4.7B as announced to ASX on 30 July 2021, the Company expects to raise funds leading up to its potential listing on the NASDAQ exchange and is confident of raising an appropriate amount of cash to fund its operations.
- The consolidated entity has executed eighteen (18) agreements with channel partners across its four business verticals and as such, has transitioned to a “growth” phase and is in the process of expanding its operations. It is expected that each partner will launch their apps, embedded with AHI technology, within the next financial year, unless there are any unforeseen delays. This is anticipated to generate revenue and take the Company past breakeven point at current expense levels.
- In October 2020, the Company signed an agreement with Nexus-Vita. Under the terms of the agreement, Nexus-Vita will pay AHI a minimum guaranteed revenue of US\$3,588,000 in the first year of launch. In addition, the parties signed an integration agreement which will generate additional revenue for AHI in the amount of US\$500,000 upon completion (refer to ASX announcement dated 22 June 2021). In total, the Company expects to generate revenue from Nexus-Vita in the amount of US\$4.1 million (A\$5.5 million) in the first twelve (12) months from launch.
- In February 2021, the Company signed an agreement with Tinjoy. Tinjoy is expected to go live in September 2021 and recently undertook a preregistration launch. The initial preregistration launch only offered an annual subscription of 310 Chinese Yuan (A\$64.86) and generated a total initial preregistration number of 144,391 users (as announced to ASX on 18 August 2021), which translates to an initial revenue commitment from its users of 44,761,210 Chinese Yuan (\$9.3 million), which is subject to a 70:30 revenue share where AHI is to receive 70%. This amounts to a revenue commitment of \$6.6 million.

Notes to the Consolidated Financial Statements (unaudited) For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies

(a) Basis of preparation of financial report (continued)

Going concern (continued)

- Nexus-Vita and Tinjoy combined, as described above, provides the Company with a potential revenue of \$12.1 million, which is substantially higher than the Company's net cash outflow from operating activities of \$4,086,015.
- In August 2021, the Company secured a \$600,000 advance with R&D Capital Partners Pty Ltd. Under the terms of this agreement, \$600,000 has been advanced to the Company, which represents approximately 70% of the tax incentive anticipated to be received in relation to the Australian government's R&D tax scheme for the 2021 tax year. An amount of \$784,412 was received in the 2020 tax year in relation to the Company's R&D tax claim.

The consolidated entity's ability to continue as a going concern and meet future working capital requirements is dependent on the above points being realised. Should the Company not be successful in generating the required cash flows, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The consolidated entity's ability to continue as a going concern and meet future working capital requirements is dependent on the above points being realised. Should the Company not be successful in generating the required cash flows, there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS), in their entirety. Compliance with AIFRS ensures that the financial report also complies with International Financial Reporting Standards (IFRS) in their entirety.

Material accounting policies adopted in the presentation of these consolidated financial statements are presented below.

New or amended accounting standards and interpretations adopted in the current year

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

(b) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(b) Income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from or payable to the ATO are classified as operating cash flows.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(d) Impairment of tangible and intangible assets other than goodwill

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(e) Impairment of financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(f) Intangible assets

An intangible asset arising from externally acquired intellectual property and development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

The amortisation method and useful life of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

The following useful life is used in the calculation of amortisation:

Development asset at cost	10 years
---------------------------	----------

(g) Revenue and other income

The consolidated entity's primary revenue stream is software development kits provided to customers by way of a license agreement (for the use Advanced human Imaging's intellectual property). The Company generates revenue at the time its customers' end-users subscribe to the customer's platform to access the software, or at the point in time a scan is captured by the customer's end-users while they are on the customer's platform.

The consolidate entity also has secondary revenue streams including:

- Integration fees
- License fees
- Other application development and support fees.

i) Identification of distinct elements and separate performance obligations

Primary revenue streams

Revenue is generated at the time the Company's customers' end-users subscribe to the customer's platform to access the software, or at a point in time a scan is captured by the customer's end-users while they are on the customer's platform. Most of the Company's contracts with its customers are structured on a monthly basis, have a minimum term of 1 year and are recognized as follows:

- **Per user** - Revenue is charged per subscribed end-user on the customer's platform, where per user price reduces based on the volume of users.
- **Per body scan** - The customer is charged when a scan is captured.

We have Licensing Agreements with WellteQ, Evolt, Boditrax, MVMNT, BCT, Bearn, Active8me, Biomophik, Jayex Healthcare, Nexus-Vita, Triage, Tinjoy and the Original Fit Company ("TOFF").

Secondary revenue streams

These services can be provided at any point in time over the term of the contract and are usually a one-time, or a series of one-time events.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(g) Revenue and other income (continued)

Nature of services provided to BCT

The Company's services rendered under the joint venture agreement with BCT fall under the terms of a commercial contract for the provision of day-to-day services which are billed monthly and include:

- A charge for rent, AWS monthly fees;
- Back-end managed services monthly fees; and
- Utilization of the Company's staff for research, development and other technical work.

The Company recognizes revenue for above mentioned services under AASB 15 at the point in time the service is delivered to BCT under the terms of the contract.

ii. Revenue recognition under AASB 15

Revenue Stream	Performance Obligation	Timing of Recognition
Software development kits - per user	Integration of the software our development kits into the customer's platform, a performance obligation is triggered when an end-user subscribes (to the customer's platform).	Recognized at the time of the end-users subscription to the customer's platform, where the end-user benefits from accessing the Company's software (on the customer's platform).
Software development kits - per scan	Integration of the software development kits into the customer's platform, a performance obligation is triggered each time a scan is captured by the end-user.	Recognized at the point in time, a scan is captured by the end-user.
Secondary revenue streams	As defined in the contract either at the start of the service, or as requested by the customer over the life of the contract.	Recognized at the point in time, a service is delivered to the customer under the terms of the contract.

Other income

Revenue recognized in any period is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognized either when the performance obligation has been performed, or over time as control of the performance obligation is transferred to the customer.

Interest received

Interest income is recognized when it is probable that the economic benefits will flow to AHI and the amount of revenue can be reliably measured.

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

(h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(i) Trade and other receivables

Trade receivables, which generally have 30–90-day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

(k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount of plant and equipment is reviewed annually to ensure it is not more than the recoverable amount from these assets.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Class of Asset	Useful Life
Office Equipment	3 – 5 years
Furniture & Fixtures	5 – 7 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(l) Right-of-use Assets

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

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

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

(m) Investments in equity-accounted investees

The Company's interest in equity-accounted investees comprise an interest in a joint venture. A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. The interest is initially recognised at cost, which includes transaction costs. After initial recognition, the financial statements include the Company's share of the profit or loss of equity-accounted investees, until the date on which joint control ceases.

Notes to the Consolidated Financial Statements (unaudited) For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(n) Investments and Other Financial Assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

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

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either:

- i. held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or
- ii. designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

(o) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Lease liabilities

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

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

(q) Issued capital

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

Performance shares are classified as equity and are convertible into fully paid ordinary shares of the Company on successful achievement of certain predetermined key performance indicators. Refer to note 19 for details of key performance indicators applying to performance shares currently on issue.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(r) Share-based Payments

Equity Settled Transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of Options is determined by using an appropriate valuation model. Share rights are valued at the underlying market value of the ordinary shares over which they are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the underlying Shares (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, the cumulative expense recognised in respect of that award is transferred from its respective reserve to accumulated losses. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled award and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

(s) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Coronavirus (COVID-19) pandemic

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

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 1 Summary of Significant Accounting Policies (continued)

(s) Critical accounting estimates and judgements (continued)

Estimation of useful life of assets

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

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Management is required to make judgements, estimates and assumptions for the Net Present Value model which supports the carrying value of the software, its useful life and its amortisation rate.

Share-based Payments

The Company measures the cost of cash-settled share-based payments at fair value using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted, as well as estimates made by management.

Determination of incremental borrowing rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, an estimate of the Company's incremental borrowing rate is used.

To determine the incremental borrowing rate, where possible recent third-party financing received is used as a starting point and adjusted to reflect changes in financing conditions since third party financing was received. If there was no recent third-party financing agreement, a build-up approach is used that starts with a risk-free interest rate adjusted for credit risk for the lessee and any further relevant adjustments specific to the lease.

Impairment of Investments and Intangible Assets

The consolidated entity assesses impairment of investments and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 2 Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources.

Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. Although the Company has a global reach, its sole activity is mobile application and technology development from an operation which is based within Australia, therefore it has aggregated all operating segments into the one reportable segment being technological development. It is the Company's intention to list the Company on the NASDAQ in the United States of America. Once this occurs, the Company will review its operating segments.

The reportable segment is represented by the primary statements forming these financial statements.

Note 3 Revenue and Expenses

	2021 \$	2020 \$
Loss for the period includes the following specific income and expenses:		
Other revenue:		
Consultancy income	17,302	19,105
Grant income	37,500	80,000
License revenue	500,000	-
Joint venture income	553,185	420,839
Other income	1,000	6,824
	1,108,987	526,768
Supplier share-based payment ^{1,2}	1,064,970	953,419
Provision for impairment expense (refer note 24)		
Triage Technologies Inc	1,362,717	-
Jana Care Inc	690,153	-
Body Composition Technologies Pte Ltd	680,008	-
Physimax Technologies Limited	79,809	-
	2,812,687	-
Employee expenses:		
Salaries and wages	2,830,510	2,489,955
Defined contribution superannuation	266,626	236,502
Share-based payments expense ²	6,230,997	1,120,357
Employment taxes and insurances	523,903	99,294
Other employment expenses	196,175	97,324
Government assistance	(162,000)	(144,000)
	9,886,211	3,899,432

¹ Options issued to suppliers under corporate advisory and investor relations consultancy agreements.

² The fair value of equity settled transactions with employees, directors and suppliers is apportioned over the period from grant date to vesting date.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 4 Income Tax

	2021 \$	2020 \$
<i>Income tax benefit</i>		
R&D tax concession	784,412	(666,218)

The R&D tax concession recognised in a financial year relates to the R&D tax incentive claim submitted by the Company for the previous financial year.

Note 5 Loss per Share

	2021 \$	2020 \$
<i>a) Basic loss per share</i>		
Loss attributable to ordinary equity holders of the Company (cents)	(11.20)	(5.16)
<i>b) Diluted loss per share</i>		
Loss attributable to ordinary equity holders of the Company (cents)	(11.20)	(5.16)
<i>c) Loss used in calculation of basic and diluted loss per share</i>		
Loss after tax from continuing operations	(14,060,992)	(5,396,512)
<i>d) Weighted average number of shares used as the denominator</i>		
Weighted average number of shares used as the denominator in calculating basic and dilutive loss per share	125,501,361	104,619,383

Note 6 Dividends

No dividends were paid or proposed during the financial years ended 30 June 2021 and 30 June 2020.

The Company has no franking credits available as at 30 June 2021 and 2020.

Note 7 Cash and Cash Equivalents

	2021 \$	2020 \$
Cash at bank ¹	2,172,499	573,977

¹ Cash at bank earns interest at floating rates based on daily deposit rates.

Reconciliation to the Statement of Cash Flows:

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of any outstanding bank overdrafts.

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash and cash equivalents	2,172,499	627,304
---------------------------	-----------	---------

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 7 Cash and Cash Equivalents (continued)

Non-cash financing and investing activities:

There were no non-cash financing or investing activities during the years ended 30 June 2021 and 30 June 2020.

Cash balances not available for use:

There are no amounts included in cash and cash equivalents not available for use as at 30 June 2021 (30 June 2020: Nil).

Note 8 Trade and Other Receivables

Current assets

	2021 \$	2020 \$
Trade receivables	207,078	209,979
Accrued income	-	78,000
GST receivable	36,222	6,143
	243,300	294,122

Note 9 Prepayments

Current assets

Prepaid IPO costs	863,856	190,397
Prepaid insurance	22,525	91,438
Other prepayments	18,974	12,733
	905,355	294,568

Note 10 Inventories

Current assets

Finished goods - at cost	-	4,734
--------------------------	---	-------

Note 11 Other Financial Assets

Non-current assets

Security Bonds and Deposits:

Balance at the start of the financial year	37,500	37,500
Security deposits (refunded)/paid during the financial year	-	-
Balance at the end of the financial year	37,500	37,500

A security deposit of \$37,500 is in place in respect of the lease on the Company's offices.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

	2021 \$	2020 \$
Note 12 Right of Use Assets		
Non-current assets		
Balance at the start of the financial year	175,992	-
Additions - new operating leases	-	211,191
Amortisation expense	(70,398)	(35,199)
Balance at the end of the financial year	105,594	175,992

The Company leases land and buildings for its offices in Perth, Australia under an agreement with a 3-year term. Refer Note 18.

Note 13 Property, Plant and Equipment

Carrying values

Office Equipment:

Cost	147,416	123,963
Depreciation	(114,466)	(89,144)
	32,950	34,819

Fixtures and fittings:

Cost	13,524	13,524
Depreciation	(13,387)	(12,594)
	137	930

Leasehold improvements

Cost	51,055	51,055
Depreciation	(25,527)	(8,509)
	25,528	42,546
	58,615	78,295

Reconciliation of movements

Office Equipment:

Opening net book value	34,819	52,448
Additions	23,453	9,867
Depreciation	(25,322)	(27,496)
Closing net book value	32,950	34,819

Fixtures and fittings:

Opening net book value	930	3,635
Additions	-	-
Depreciation	(793)	(2,705)
Closing net book value	137	930

Leasehold improvements

Opening net book value	42,546	-
Additions	-	51,055
Depreciation	(17,018)	(8,509)
Closing net book value	25,528	42,546
	58,615	78,295

No assets included in property, plant and equipment have been pledged as security in respect of liabilities.

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

	2021 \$	2020 \$
Note 14 Development Asset		
Balance at the start of the financial year	1,373,492	1,451,248
Application development costs incurred during the year	78,279	93,980
Amortisation	(235,856)	(171,736)
Balance at the end of the financial year	1,215,915	1,373,492

The recoupment of costs carried forward in relation to intangible assets is dependent upon the successful development or commercial exploitation or sale of the application technology.

Note 15 Trade and other payables

Current liabilities

Trade payables and other payables	339,345	343,603
Accrued expenses	68,000	128,763
Employment related payables	147,712	313,573
	555,057	785,939

Trade payables are non-interest bearing and normally settled on 30-day terms.

Note 16 Employee leave liabilities

Current liabilities

Annual leave liability	438,991	312,463
------------------------	---------	---------

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 17 Interest bearing borrowings

Current

Convertible notes-2018 Facility ¹

Convertible notes-ACAM ²

Convertible notes-iGGF ²

Total convertible notes

R&D tax prepayment loan ³

Other loans ⁴

Non-current

Convertible notes-ACAM ²

	2021 \$	2020 \$
	-	75,000
	1,644,081	-
	534,061	-
	2,178,142	75,000
	-	600,000
	-	190,000
	2,178,142	865,000
	-	322,331

¹ Convertible Note facility entered into with a number of professional investors who are not related parties of the Company. The notes attract interest at 8% per annum. The investors may elect to redeem the outstanding principal amount of the notes in cash on the Maturity Date, rather than convert to shares. At 30 June 2020, a total of \$825,000 principal and accrued interest were converted to shares at a price of 30 cents per share. The balance of the notes at 30 June 2020 was repaid in cash in the current reporting period.

² The Company entered into a funding agreement for US\$1,500,000 with Asia Cornerstone Asset Management (ACAM) by way of an unsecured convertible note which attracts interest at 10% per annum. The funds received will enable the Company to seek a dual listing of the Company's securities on the NASDAQ Capital Market and for general working capital purposes. The funding was to be received in 4 tranches, however under a variation to the agreement, the last tranche of US\$375,000 was subscribed for by iConcept Global Growth ("iGGF") Fund with US\$1,125,000 being received by ACAM. The original maturity date of 30 June 2021 has been extended to 30 September 2021. The convertible note has a mandatory conversion upon successful NASDAQ listing. On conversion, ACAM will be issued shares in the NASDAQ listed company at the greater of US\$1.00 and a 25% discount to the price at which the Company issues shares in conjunction with the listing. Unless otherwise mutually agreed to by the parties, if the Company is not successful in attaining a listing on the NASDAQ on or prior to 30 September 2021, the Company will have an additional 6 months to repay the convertible note. Interest accrued to 30 June 2021 on the ACAM notes is US\$111,020 and on the IGGF notes is US\$26,507.

³ On 29 May 2020, the Company received a \$600,000 R&D tax prepayment loan from R&D Capital Partners Pty Ltd: The loan attracts interest at a rate of 1.15% per month and was repaid in full in the current financial year.

⁴ Other loans are unsecured and interest bearing. These loans were repaid in full in the current financial year.

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

	2021 \$	2020 \$
Note 18		
Lease liabilities		
Current liability	86,913	68,144
Non-current liability	51,212	138,124
Balance at the end of the financial year	138,125	206,268
Reconciliation of lease liabilities		
Balance at the beginning of the financial year	206,268	-
Lease liability recognised - new operating lease ¹	-	211,191
Repayment of lease liability	(68,143)	(4,923)
Balance at the end of the financial year	138,125	206,268

¹ In the prior year, the consolidated entity entered into a 3-year lease agreement for office premises in Perth, Australia. The total payments under the lease amounting to \$299,129 were discounted at the Company's incremental borrowing rate of 10% in order to determine the initial lease liability of \$211,191. To determine the incremental borrowing rate, third-party financing received was used as a starting point and adjusted to reflect changes in financing conditions since the third-party financing was received.

During the financial year, \$38,108 (2020: \$21,119) interest on the lease was expensed as financing costs.

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 19 Issued Capital and Reserves

a) Ordinary shares

The Company is a public company limited by shares, incorporated in Perth, Western Australia. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company. There are no externally exposed capital requirements.

	2021 No.	2020 No.	2021 \$	2020 \$
b) Share capital				
Issued capital-ordinary shares	136,362,538	114,392,923	39,213,794	24,355,213
Issued capital-performance shares	-	-	-	-
Issued share capital	136,362,538	114,392,923	39,213,794	24,355,213
c) Share movements during the year – ordinary shares				
At the start of the financial year	114,392,923	91,621,888	24,355,213	13,782,265
Shares issued on exercise of Performance Rights	5,750,000	9,550,000	2,141,000	6,055,875
Shares issued on exercise of Options	7,957,948	730,769	3,865,556	206,494
Shares issued to related party	3,000,000	2,000,000	3,920,000	540,000
Share based payments	1,095,000	2,700,000	1,017,500	556,500
Share issues - capital raising	4,166,667	3,333,334	5,000,000	2,000,000
Share issues – conversion of convertible notes	-	4,456,932	-	1,337,079
Less share issue costs	-	-	(1,085,475)	(123,000)
	136,362,538	114,392,923	39,213,794	24,355,213
d) Share movements during the year – performance shares				
At the start of the financial year	-	30,000,000	-	300
Less expired shares ¹	-	(30,000,000)	-	(300)
	-	-	-	-

¹Performance Shares (15,000,000 Class A Performance Shares and 15,000,000 Class B Performance Shares) were cancelled due to performance milestones not being met within the stipulated timeframe.

For personal use only

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 20 Commitments

a) Lease commitments:

The Company has a lease for its principal place of business at Unit 5, 71-73 South Perth Esplanade in Western Australia (Lease) which was entered into on 1 January 2020. The lease is accounted for under accounting standard AASB 16 Leases. Refer to notes 11 and 18.

The Lease was secured by a cash bond in favour of the Landlord for the amount of \$37,500 and this amount is being held and will be applied as bond for the new lease.

b) Other commitments

- (i) On March 31, 2021, AHI reached an agreement to invest US\$6 million in Triage Technologies, Inc. over a 14-month period, subject to shareholder approval (US\$3 million in cash and US\$3 million in AHI Ordinary Shares), as part of a strategic plan to expand the Company's service offering and referred to by the Company as "DermaScan".

All documentation for the transaction has been concluded, including, the technology distribution license, shareholder agreements and subscription agreements. The completion of these agreements was announced to the ASX on April 19, 2021. The US\$3 million cash investment will be made in equal instalments over a fourteen (14) month period, and at the end of the reporting period, US\$1 million in payments had been made, with a further US\$2 million outstanding.

- (ii) Under the terms of the Agreement with Tinjoy Biotech Limited (Tinjoy), AHI will contribute US\$200,000 towards Tinjoy's marketing costs, and has an option to invest in Tinjoy's WinScan Platform as follows:
- AHI has a right to acquire up to 40% of Tinjoy's WinScan Platform, priced at a valuation of US\$10 million taking for consideration to be approximately US\$2-4 million this can be in cash or shares in AHI or a combination as mutually agreed.
 - 12-24-month option to take up the 40% at AHI's option to acquire a holding in WinScan. The option would be triggered should WinScan achieve user numbers of 5 million users a month. This would trigger a 20% investment of US\$2 million from AHI.
 - If WinScan achieves a user base of 10 million monthly users AHI would be required to take up a 40% stake in WinScan at an agreed investment of US\$4 million.
 - In the event AHI exercises its option, the US\$200,000 marketing and training advance will form part of the total investment outlined above.
 - At the date of this report, US\$50,000 in payments had been made to Tinjoy in lieu of AHI's marketing contribution.

Note 21 Contingencies

a) Contingent liabilities

There are no material contingent liabilities at the reporting date.

b) Contingent assets

There are no material contingent assets at the reporting date.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 22 Related Party Disclosures

a) Subsidiaries

In January 2018, wholly owned subsidiary MyFiziq Inc. was incorporated in the United States of America in preparation for the commercialisation of the technology in the USA. During the financial year there was no activity in this subsidiary.

b) Holding company

The ultimate holding company is AHI Limited.

c) Joint agreement in which the Company is a joint venture

The Company has a majority interest in Body Composition Technologies Pte. Limited (BCT), a company incorporated in Singapore for the purpose of developing the AHI platform for commercialisation within the medical or insurance sector (refer note 23).

During the financial year, the Company provided services to Body Composition Technologies Pty Ltd (BCT Australia) an Australian incorporated wholly owned subsidiary of BCT) for which the Company earned revenue of \$553,185 (2020: \$420,839).

c) Joint agreement in which the Company is a joint venture (continued)

During 2019, the Company entered into a loan agreement with BCT Australia. The interest free loan was repaid in July 2021.

During the current reporting period, the Company participated in a capital raising by BCT whereby the Company subscribed for approximately \$671k convertible notes. The notes are unsecured, earn interest at 2.5% per annum and can be converted at any time during the 2-year term. On conversion, the Company will increase its holding in BCT to approximately 54% on a fully diluted basis.

d) Transactions with Directors

Directors were remunerated during the year for their services in accordance with their service contracts. Other transactions with directors are listed below.

During the financial year ended 30 June 2021, the Company paid \$150,476 (2020: \$26,156) to Steinepreis Paganin, an entity associated with Mr Peter Wall, for legal services. At 30 June 2021, a further \$26,865 was owing to Steinepreis Paganin (2020: \$10,622).

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 23 Interest in a Joint Venture

The Company has a 50% interest in Body Composition Technologies Pte Limited (BCT). The Company's interest in BCT is accounted for using the equity method. Under the equity method, the Company's investment in a joint venture is initially recorded at cost, and subsequently the carrying value of the investment is increased or decreased to recognise the Company's share of the joint venture profit or loss.

Under the terms of the joint venture agreement, BCT is licensed to distribute the AHI technology to the Medical and Insurance sectors. To date, Gold Quay Capital has paid AHI A\$2,000,000 for the distribution rights and licensing of the AHI technology. BCT has spent A\$6,000,000 to date on developing the business segment and research and development required/used to expand the technology into the segment.

During the financial year, the joint venture agreement was varied to allow the Company to increase its holding up to approximately 54% of BCT (on a fully diluted basis) by participating in a convertible note fundraising undertaken by BCT to the value of \$670,333 (refer note 24).

Note 24 Investments

During the reporting period, the Company entered into a number of strategic agreements as follows:

- (i) Under the Binding Term Sheet, which was announced on the Australian Stock Exchange on 3 December 2020, and entered into on 27 November 2020, Canadian-based Triage Technologies Inc (Triage) will license AHI the Triage AI engine, and the companies will work together to integrate Triage's technology into the *CompleteScan* platform, which also includes NuraLogix' FaceScan, and AHI's BodyScan. Triage has developed a dermatological AI system that can identify skin conditions from a photo and the AHI team, with its 'on-device' expertise, intends to advance the AI engine of Triage to be an on-device, ready-to-use application for end users. Under the binding agreement with Triage, the Company will invest a total of up to US\$6 million for an equity stake in Triage. The investment will comprise US\$3 million in cash and US\$3 million in AHI ordinary shares. At 30 June 2021, the Company had made cash payments of approximately US\$1 million to Triage and recognises this as an investment on the Statement of Financial Position. Subsequent to the end of the financial year, a further US\$500,000 has been paid to Triage. Once all the cash and shares have been paid to Triage, the Company will be issued an equity interest in Triage equalling 15.19% on a fully diluted basis.
- (ii) On May 20, 2021, the Company entered into a Binding Term Sheet with US-based on device blood pathology company Jana Care Inc. ("Jana"). Subject to due diligence being completed, AHI will have the right to invest a total of up to US\$8,000,000 into Jana, comprising: (i) an option to invest US\$5,000,000 in cash; and (ii) subject to shareholder approval, an option to invest up to US\$3,000,000 in Jana in AHI ordinary shares. If the Company does not secure shareholder approval for the US\$3,000,000 share investment, it has the option to proceed with the investment in cash. In May 2021, AHI invested US\$500,000 in the current convertible note round being offered by Jana. AHI has a further right for a period of 3 years from the date of the first integrated product launch, to acquire a further 10% of Jana stock. AHI will be issued 1% of Jana for every US\$1,000,000 in gross revenue to Jana under a contemplated revenue sharing arrangement. In the event AHI decides not to take up the investment in Jana, AHI will still retain the right to equity at a rate of 1% of Jana for every US\$2 million in gross revenue to Jana. No definitive agreements have been signed as of the date of this report, however, subject to due diligence AHI and Jana intend to enter into the following definitive agreements: Commercial Agreement; a Software Development Kit, End User License Agreement; Support Agreement; Data Processing Agreement and Investment Agreement.

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 24 Investments (continued)

- (iii) Israeli-based musculoskeletal assessment company Physimax Technologies Limited (“Physimax”) has developed and patented a video-based objective solution that tracks and improves musculoskeletal wellness and performance by automatically measuring and scoring mobility, stability, strength and movement control. Under the terms of the agreement, and subject to due diligence and the completion of other conditions precedent, the Company may acquire 100% of the share capital of Physimax for a total consideration of US\$6 million to be satisfied through the issue of US\$6 million worth of AHI ordinary shares. Subsequent to the end of the financial year, the Company completed its due diligence and are in the process of updating the binding acquisition agreement which will result in a material reduction in the US\$6 million acquisition amount. During the reporting period, the Company made a payment of US\$60,000 to Physimax.
- (iv) Body Composition Technologies Pte Ltd (BCT), is a 50% owned joint venture between AHI and Gold Quay Capital formed in 2017. During the financial year, the Company participated in a convertible note fundraising undertaken by BCT to the value of \$670,333 to increase its holding in BCT up to approximately 54% once converted. The convertible notes are unsecured, have a term of 2 years and earn interest at 2.5% per annum. The notes can be converted at any time during the 2-year term.

The recoverable amount of the Company’s investments is reviewed at each reporting date. As the above investments are in unlisted entities, the determination of recoverable value is highly subject to various estimates and assumptions. As an accurate assessment of recoverable value is not available at the reporting date, the Company has elected to create a provision for impairment against the investments, as shown below. When a more accurate determination of recoverable value can be made, the Company will re-assess whether a provision for impairment is required.

	Triage	Jana Care	Physimax	BCT
	\$	\$	\$	\$
Balance at 1 July	-	-	-	-
Additional investment	1,319,361	644,347	77,712	670,833
Interest and other costs	32,576	24,903	-	9,175
Foreign exchange movement	10,780	20,903	2,097	-
Provision for impairment	(1,362,717)	(690,153)	(79,809)	(680,008)
Balance at 30 June	-	-	-	-

Notes to the Consolidated Financial Statements (unaudited)

For the financial year ended 30 June 2021

Note 25 Loans to other entities

Bearn LLC (Bearn) has developed an application that allows for the gamification and engagement of health users by rewarding users for achieving health goals. In January 2021, the Company entered a Joint Marketing Agreement (the “Bearn Agreement”) with Bearn. Pursuant to the Bearn Agreement, the Company has funded a total of US\$500,000 to Bearn over 4 tranches. The loan is secured over Bearn’s software and separately a pledge over the membership interests of Bearn’s founder, Mr. Aaron Drew. Under the terms of the agreements, Bearn has undertaken to use the funds advanced by the Company to deliver 1 million active monthly users to the Company within 12 months. If Bearn fails to achieve this target, the loan and interest becomes repayable in 15 months from the date of the promissory note. If Bearn achieves this target, the repayment date will be extended for a further 12 months. The Bearn Agreement contains certain warranties, indemnities and limitations of liability by both parties. The loan attracts interest at 8% for the first 12 months and thereafter a sliding scale of interest (15% to 0%) applies depending on the number of monthly active users. Should the number of active monthly users reach 2 million, the loan will be forgiven. The maturity date depends on Bearn achieving 1 million active monthly users. If the target is not achieved, then the loan and accrued interest is repayable in 15 months. If Bearn achieves the target the repayment date will be extended for a further 12 months.

The value of the loan at 30 June 2021 is A\$682,421 which includes accrued interest of A\$16,920.

Note 26 Events Subsequent to the Reporting Date

On 1 July 2021, the Company announced that the maturity date of the convertible notes with ACAM (US\$1,125,000) and iConcept (US\$375,000) had been extended from 30 June 2021 to 30 September 2021.

Due diligence on the Physimax Technologies Limited acquisition concluded in early July. The Company is now in the process of updating the binding acquisition agreement.

In mid-August, Tinjoy Biotech Limited (Tinjoy) re-launched “The Health Cube”, its marketing platform, in preparation for the WinScan application launch. Initial pre-registration numbers in mid-August were approximately 145,000 users which equates to a revenue commitment to Tinjoy of approximately A\$9.3 million.

In mid-August, Bearn LLC (refer Note 25) issued a US media release that advised of the launch of its Marketplace platform. The full launch of its AHI integrated product is estimated to occur in October, providing no unforeseen circumstances. Bearn is also in the process of finalising a US\$20 million capital raise.

On 27 August 2021, the Company announced the public filing of Foreign Issuer Form F-1 with the US Securities and Exchange Commission. This form is similar to a prospectus for an Australian initial public offering and relates to the proposed US public offering and listing on the NASDAQ.

The impact of the Coronavirus ('COVID-19') pandemic is ongoing for the entity up to 30 June 2021, 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.

Other than as already stated in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the consolidated entity to affect substantially the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.