

Innlanz Limited (formerly Mediland Pharm Limited)

ABN 83 628 420 824

Financial Report For the Year Ended - 30 June 2022

Innlanz Limited
Corporate directory
30 June 2022

| | |
|--|--|
| Directors | Jhon Shen (Executive Director) Yeshween Mudaliar (Managing Director) Peter French (Non-Executive Director and Chairman) Tracey Cray (Non-Executive Director, resigned on 31 July 2022) Theo Renard (Non-Executive Director) Leo Cui (Non-Executive Director,) |
| Company secretary | Indira Naidu |
| Registered office and Principal place of business | 18-40 Anderson Street Parramatta NSW 2150 |
| Share register | Computershare Ltd Level 4 60 Carrington Street Sydney NSW 2000 |
| Auditor | RSM Australia Partners Level 13, 60 Castlereagh Street, Sydney NSW 2000 |
| Bankers | St George Bank, Sydney Branch 316 George St Sydney NSW 2000 |
| Stock exchange listing | Innlanz Limited shares are listed on the Australian Securities Exchange (ASX code: “INL”, formerly “MPH”) |
| Website | http://www.innlanz.com |

Corporate governance statement

Innlanz Limited’s Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place.

The Company complies with the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. A copy of the Company’s corporate governance statement is available at the Company’s website at the following address: <http://www.innlanz.com/investor-relations-corporate-governance/>.

MANAGING DIRECTOR'S AND CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Innlanz Limited (the "Company" or "Innlanz"), we are pleased to present our Annual Report for the year ended 30 June 2022.

The Company's Preliminary Final Report (Appendix 4E) was lodged with the Australian Securities Exchange (ASX) on 31 August 2022 and is available to be downloaded from the Company's website or the ASX website.

During 2021-2022 Innlanz's operations continued to be affected by the global COVID-19 pandemic, validating the decision in the previous financial year to diversify away from the Group's original retail-based business model and moving into the hotel industry, with the acquisition of the Hamilton Hotel in New Zealand. This change in business model was the basis for the change of name to Innlanz Limited, the name alluding to hotel management in Australia and New Zealand. In 2021-2022, the hotel's overall performance exceeded expectations and was the major contributor to the Group's revenues. Despite the challenges caused by the pandemic with restrictions and lockdowns from August 2020 to November 2021, it was pleasing to report that the hotel finished the financial year with a positive net result.

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$931,067, which was a significant improvement from the previous year's performance (30 June 2021: \$6,280,415). This improvement was due to a number of initiatives which were begun in the previous financial year and continued in 2021-2022. These included:

- Impairment expense decreased from \$3.4m to \$nil. The decrease was attributable to closure of all retail stores in the previous financial year.
- A decrease of \$3.1m to \$nil in loans forgiven due to loss of control of the subsidiaries in the previous financial year
- Rigorous cost control measures by minimising fixed operating costs, including significant reduction of Directors' fees and management wages. During the financial year, the Company also terminated two lease contracts resulting in a substantial decrease in on-going occupancy and operational expenses.
- Revenue from the Hamilton Hotel operations.

Outlook

The Board and Management are optimistic that the worst of the adverse effects of the Covid-19 pandemic on the Company's business have been experienced.

Both the Board and Management remain open to the Company once again playing an active role in the "health and well-being" sector in the inbound Chinese tourist retail market as and when the tourism industry returns to some form of normality. The Company is carefully monitoring this trend with the aim of determining the optimal time and location to recommence its retail operations. In the meantime, the Company's Board and Management are actively exploring other potential revenue-generating options to build shareholder value.

The acquisition of the Hamilton Hotel signified a change of direction for the Company and played to the strengths of our Management and Board. The success to date of this acquisition provides the basis for potentially extending the Group's activities in the hotel industry in the future.

We would like to thank our fellow directors and our management team for their commitment and contributions during another incredibly challenging year. We also thank you, our shareholders, for your support and assure you that we are determined to weather the current storm and, when conditions allow, continue to pursue our growth strategy in retail and hospitality.

Finally, we would like to acknowledge the work of Tracey Cray as a non-executive director, who resigned in July 2022. Tracey was a hardworking and dedicated director who made many valuable contributions to the Board and to the Company during her tenure. Due to her appointment to a full-time executive role in another company, she felt unable to devote the time needed to fulfil her duties at Innlanz. On behalf of the Board and

Management, we would like to thank Tracey for her hard work for Innlanz and to wish her all the best for her future roles. The Company will look to fill her position at the appropriate time.

Annual General Meeting and Annual Report

The 2022 Annual General Meeting will be conducted in November 2022.



Dr Peter French
Chairman



Yeshween Mudaliar
Managing Director

Forward looking statements

The above reports contain forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties, assumptions, and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company.

The Board cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Letter will occur and investors are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Letter. The Company does not intend to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Letter, except where required by law.

**Innlanz Limited
Directors' report
30 June 2022**

The directors present their report, together with the financial statements, on the Group (referred to hereafter as 'the Group') consisting of Innlanz Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Innlanz Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

| | |
|-------------------|---|
| Jhon Shen | Executive Director |
| Yeshween Mudaliar | Managing Director |
| Peter French | Non-executive Director and Chairman |
| Tracey Cray | Non-executive Director (resigned on 31 July 2022) |
| Theo Renard | Non-executive Director |
| Leo Cui | Non-executive Director |

Principal activities

The Company currently owns and trades a Hotel in Hamilton, New Zealand and the Company's retail operations have been suspended until tourists in particular from China return to both Australian and New Zealand shores. The Company is focused on business development and growth opportunities within the Hospitality sector whilst continuing to explore and identify strategic business opportunities to expand and diversify its revenue streams.

Review of operations

Innlanz's operations continued to be significantly disrupted as a result of COVID-19 pandemic, with the Group focusing on preserving its cash position and controlling its costs.

The loss for the Group after providing for income tax amounted to \$931,067 (30 June 2021: loss of \$6,280,415).

Dividends

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

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Jhon Shen as the beneficial owner of Premier Hospitality Management had agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022, and ending on October 31, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

The Reserve Bank on New Zealand (RBNZ) increased the Official Cash Rate from 2% to 3% subsequent to the financial year. The increases in the Official Cash Rate could potentially have an adverse effect on the valuation of the land and buildings. The effect of this has not been estimated or quantified as at the date of this report.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2022, 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 30 June 2022 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law or under any New Zealand Legislation.

Information on directors

| | |
|--------------------------------------|--|
| Name: | Jhon Shen |
| Title: | Executive director |
| Qualifications: | Master of Finance and Accounting from the University of New South Wales |
| Experience and expertise: | Mr Shen is a businessman with a track record of developing profitable businesses and incubating new business opportunities through acquisition in the retail, tourism, travel and hospitality sectors. He has first-hand experience within the Chinese retail sector, as he worked in both operational and management level within the Company since March 2015. During this time, he has gained extensive knowledge and experience, which has assisted him to better understand in how to operate a successful retail operation within Australia through offering high appealing products to the Chinese consumer. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 250,000,000 |
| Interests in options: | None |
| Contractual rights to shares: | None |
| Name: | Yeshween Mudaliar |
| Title: | Managing director |
| Qualifications: | Diploma of Travel and Tourism from Sir George Seymour National College in New Zealand, A certificate in Senior Development Executive Program and Hotel Real Estate Investments and Asset Management from Cornell University. |
| Experience and expertise: | Mr Mudaliar is a professional hospitality executive with over 16 years' industry experience. During this period, he has successfully fulfilled senior executive roles with leading hotel chains including Marriott, Accor and IHG, in both managed and franchise operational models. With outstanding excellence in sales and business development focusing on increasing revenue and profitability, he naturally progressed his career to an asset management and business acquisition specialist. His vast network of relationships across a number of industries has supported his expertise to increase his clients' business portfolios with highly profitable acquisitions, mergers and ensuring corporate compliance. |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | None |
| Interests in options: | None |
| Contractual rights to shares: | None |
| Name: | Dr. Peter French |
| Title: | Non-executive director and Chairman |
| Qualifications: | BSc (Sydney University, 1977); MSc (Sydney University, 1982), PhD Deakin University, 1986), MBA (Deakin University, 2001) |
| Experience and expertise: | Dr. Peter French is an experienced senior executive and director in public and private companies primarily in the biotechnology and healthcare sector. His roles have included: <ul style="list-style-type: none"> - Founder and non-executive director of Cryosite Limited (ASX:CTE) 2000-2006; - Managing director of Probiomics Limited (ASX:PCC) 2003-2006; - CEO and Managing director of Benitec Biopharma Limited(ASX:BLT) 2010-2015 |
| Other current directorships: | None |
| Former directorships (last 3 years): | None |
| Special responsibilities: | None |
| Interests in shares: | 166,666 |
| Interests in options: | None |
| Contractual rights to shares: | None |

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Name: Theo Renard
 Title: Non-executive director
 Experience and expertise: Mr Renard is a Chartered Accountant and has over 20 years' experience in credit and relationship banking in commercial and investment banking with Nedcor in South Africa and Asia and ABN AMRO in Australia and Asia. He spent over two years as CFO and Company Secretary with a retail group with retail and manufacturing operations in Asia and the Subcontinent, during that time he was a Director of several of the listed companies and affiliates. Mr Renard has over 14 years' experience in the resources sector as Chief Financial Officer and Company Secretary.

Other current directorships: None
 Former directorships (last 3 years): None
 Special responsibilities: None
 Interests in shares: 166,666
 Interests in options: None
 Contractual rights to shares: None

Name: Leo Cui
 Title: Non-executive director
 Experience and expertise: Mr Cui has substantial experience in Financial Services Industry mainly responsible for Group Dealing, Risk Management, responsibility for compliance with respect to ASIC and specific compliance obligations under Australian Financial Services License. Previous work experience also includes sales and marketing, financial product advice to and dealing with wholesale and retail clients, derivative products and foreign exchange contracts. Mr Cui's key strength includes his financial services background which has foreign investors in Australian Companies. He also has network and relations in Hong Kong and China.

Other current directorships: None
 Former directorships (last 3 years): None
 Interests in shares: 61,000
 Special responsibilities: None
 Interests in shares: 166,666
 Interests in options: None
 Contractual rights to shares: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

Company secretary

Ms Naidu has over 16 years' experience, in audit and assurance, risk management, financial reporting, corporate governance and internal audit within retail, manufacturing and not-for-profit sectors. Her expertise has been gained through auditing and corporate advisory services to multinational and Australian listed entities. She also holds the position of Finance Manager & Company Secretary in an entity with dual listing on ASX and NASDAQ. She has expertise in Publicly Listed Entity Reporting and Statutory Reporting. Ms Naidu is a member of the Institute of Chartered Accountants Australia and New Zealand (CA ANZ) and Australian Institute of Company Directors (AICD).

Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

| | Full Board | | Nomination and Remuneration Committee | | Audit and Risk Committee | |
|-------------------|------------|------|---------------------------------------|------|--------------------------|------|
| | Attended | Held | Attended | Held | Attended | Held |
| Jhon Shen | 6 | 8 | 0 | 1 | * | * |
| Yeshween Mudaliar | 8 | 8 | * | * | * | * |
| Tracey Cray | 7 | 8 | 1 | 1 | 2 | 2 |
| Peter French | 8 | 8 | * | * | 2 | 2 |
| Theo Renard | 8 | 8 | 1 | 1 | 2 | 2 |
| Leo Cui | 8 | 8 | 1 | 1 | 2 | 2 |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

*= Not a member of the relevant committee

Remuneration report (audited)

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

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

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

The Remuneration & Nominations Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

The Remuneration & Nominations Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

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

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

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

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

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

Non-executive directors' remuneration

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

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was in the Prospectus dated 23 November 2018. This amount has initially been fixed by the Company at \$700,000.

The 4th edition of the Corporate Governance principles and Recommendations released by the ASX Corporate Governance Council specifies that it is generally acceptable for non-executive directors to receive securities as part of their remuneration to align their interest with the interest of other security holders, however non-executive directors should not receive performance-based remuneration as it may lead to bias in their decision making and constraints of a newly listed company, the Board has chosen to grant equity in the form of Non-Executive Director Rights (NED Rights) which vest based only on meeting continuous service conditions.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

Group performance and link to remuneration

Remuneration is not directly linked to the performance of the Group.

Voting of shareholders at last year's annual general meeting

At the Company's 2021 AGM 81.69% "yes" votes were cast in favour on the poll for the resolution on its remuneration report for the 2021 financial year.

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Directors' report
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Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Innlanz Limited:

Non-executive directors

- Peter French
- Tracey Cray
- Theo Renard
- Leo Cui

Executive directors

- Jhon Shen
- Yeshween Mudaliar

Other executives

- Jessie Tao (Chief Financial Officer)
- Indira Naidu (Company Secretary)

Changes since the end of the reporting period:

Tracey Cray resigned as a Non-Executive Director on 31 July 2022.

| | Fixed remuneration | | | | | Variable remuneration | |
|--|----------------------|--------------|-----------------|---------------------------------------|----------------|-----------------------|----------------|
| | Cash salary and fees | Non-monetary | Super-annuation | Long-term benefits Long service leave | Subtotal | Share based payments | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2022 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Peter French | 15,976 | - | 1,598 | - | 17,574 | - | 17,574 |
| Tracey Cray | 11,411 | - | 1,141 | - | 12,552 | - | 12,552 |
| Theo Renard | 11,411 | - | 1,141 | - | 12,552 | - | 12,552 |
| Leo Cui | 6,847 | - | 685 | - | 7,532 | - | 7,532 |
| <i>Executive Directors:</i> | | | | | | | |
| Jhon Shen | - | - | - | - | - | - | - |
| Yeshween Mudaliar | 100,000 | - | 10,000 | - | 110,000 | - | 110,000 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Jessie Tao | 48,417 | - | - | - | 48,417 | - | 48,417 |
| Indira Naidu | 28,800 | - | 2,880 | - | 31,680 | - | 31,680 |
| | 222,862 | - | 17,445 | - | 240,307 | - | 240,307 |

| | Fixed remuneration | | | | | Variable remuneration | |
|---------------------------------|----------------------|--------------|-----------------|---------------------------------------|----------|-----------------------|--------|
| | Cash salary and fees | Non-monetary | Super-annuation | Long-term benefits Long service leave | Subtotal | Share based payments | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2021 | | | | | | | |
| <i>Non-Executive Directors:</i> | | | | | | | |
| Peter French | 14,650 | - | 1,392 | - | 16,042 | 4,769 | 20,811 |
| Tracey Cray | 10,464 | - | 994 | - | 11,458 | 4,769 | 16,227 |
| Theo Renard | 10,464 | - | 994 | - | 11,458 | 5,908 | 17,366 |
| Leo Cui | 6,279 | - | 596 | - | 6,875 | - | 6,875 |

| | Fixed remuneration | | | | Variable remuneration | | Total |
|--|----------------------|--------------|-----------------|--|-----------------------|----------------------|----------------|
| | Cash salary and fees | Non-monetary | Super-annuation | Long-term benefits Long service leave | Subtotal | Share based payments | |
| 2021 (CONTINUED) | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| <i>Executive Directors:</i> | | | | | | | |
| Jhon Shen | - | - | - | - | - | - | - |
| Yeshween Mudaliar | 38,462 | - | 3,654 | - | 42,116 | 124,852 | 166,968 |
| <i>Other Key Management Personnel:</i> | | | | | | | |
| Jessie Tao | 55,000 | - | - | - | 55,000 | 24,970 | 79,970 |
| Indira Naidu | 28,800 | - | 2,736 | - | 31,536 | - | 31,536 |
| | 164,119 | - | 10,366 | - | 174,485 | 165,268 | 339,753 |

Service agreements

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

Name: Jhon Shen
Title: Executive director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$180,000 plus superannuation. Under the current COVID situation, Jhon agreed to reduce his gross salary by 100% for the whole financial year. Pursuant to Mr Shen's executive agreement, Mr Shen may resign from his position by giving 6 months' notice in writing.

Name: Yeshween Mudaliar
Title: Managing director
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$100,000 plus superannuation. Under the current COVID situation, Yeshween had agreed to a temporary salary reduction for the period from 1 July 2020 to 28 Feb 2021. These amounts have been accrued and will be paid once the Group's overall financial performance improves. Pursuant to Mr Mudaliar's executive agreement, Mr Mudaliar may resign from his position by giving 6 months' notice in writing.

Name: Tracey Cray (resigned on 31 July 2022)
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$50,000 inclusive of superannuation. Under the current COVID situation, Tracey agreed to reduce her gross salary by 75% for the whole financial year. Pursuant to Tracey's appointment letter, Ms Cray is also offered \$30,000 as NED rights, to be issued in \$10,000 tranches annually if exercised at each anniversary date within the three years from date of commencement.

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Name: Dr. Peter French
Title: Non-executive director
Agreement commenced: 1 November 2018
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$70,000 inclusive of superannuation. Under the current COVID situation, Peter agreed to reduce his gross salary by 75% for the whole financial year. Pursuant to Peter's appointment letter, he is also offered \$30,000 as NED rights, to be issued in \$10,000 tranches annually if exercised at each anniversary date within the three years from date of commencement.

Name: Theo Renard
Title: Non-executive director
Agreement commenced: 24 January 2019
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$50,000 inclusive of superannuation. Under the current COVID situation, Theo agreed to reduce his gross salary by 75% for the whole financial year. Pursuant to Theo's appointment letter, he is also offered \$30,000 as NED rights, to be issued in \$10,000 tranches annually if exercised at each anniversary date within the three years from date of commencement.

Name: Leo Cui
Title: Non-executive director
Agreement commenced: 28 November 2019
Term of agreement: Not fixed
Details: Base salary for the year ended 30 June 2022 of \$30,000 inclusive of superannuation. Under the current COVID situation, Leo has agreed to reduce his gross salary by 75% for the whole financial year.

Name: Jessie Tao
Title: Chief Financial Officer
Agreement commenced: 15 October 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2022, Ms Tao received a salary of \$48,417 (this is discounted from \$70,000 of the gross salary as a result of the current COVID situation). Pursuant to Ms Tao's executive agreement, Ms Tao may resign from her position by giving 6 months' notice in writing.

Name: Indira Naidu
Title: Company Secretary
Agreement commenced: 19 November 2018
Term of agreement: Not fixed
Details: For the period ended 30 June 2022, Ms Naidu received a salary of \$31,680 inclusive of superannuation. Pursuant to Ms Indira's executive agreement, Ms Indira may resign from her position by giving 6 months' notice in writing.

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

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Share-based compensation

Details of rights over ordinary shares granted, vested, and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Non-Executive Director (NED) Rights in Lieu of Fees

| Name | Date granted | Balance at start of year (unvested) | Granted during the year | Rights to deferred shares Vested | Rights to deferred shares Forfeited | Balance at end of year (unvested) |
|--------------|--------------|-------------------------------------|-------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| 2022 | | | | | | |
| Peter French | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Tracey Cray | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Theo Renard | 24.01.2019 | \$20,000 | - | \$10,000 | (\$20,000) | - |

| | | | | | | |
|--------------|------------|----------|----------|---|---|----------|
| 2021 | | | | | | |
| Peter French | 02.11.2018 | \$10,000 | \$10,000 | - | - | \$20,000 |
| Tracey Cray | 02.11.2018 | \$10,000 | \$10,000 | - | - | \$20,000 |
| Theo Renard | 24.01.2019 | \$10,000 | \$10,000 | - | - | \$20,000 |

| Name | Date granted | Balance at start of year (unvested) | Vested during the year | Rights exercised to obtain shares | Rights forfeited | Balance at end of year (unvested) |
|--------------|--------------|-------------------------------------|------------------------|-----------------------------------|------------------|-----------------------------------|
| 2022 | | | | | | |
| Peter French | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Tracey Cray | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Theo Renard | 24.01.2019 | 219,621 | 167,224 | 166,666 | (220,179) | - |

| | | | | | | |
|--------------|------------|--------|---------|---|---|---------|
| 2021 | | | | | | |
| Peter French | 02.11.2018 | 32,787 | 100,000 | - | - | 132,787 |
| Tracey Cray | 02.11.2018 | 32,787 | 100,000 | - | - | 132,787 |
| Theo Renard | 24.01.2019 | 38,462 | 181,159 | - | - | 219,621 |

Shareholding

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

| | Balance at the start of the year | Additions on rights exercised | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|-------------------------------|------------------|--------------------------------|
| 2022 | | | | |
| <i>Ordinary shares</i> | | | | |
| Jhon Shen | 250,000,000 | - | - | 250,000,000 |
| Leo Cui | 61,000 | - | - | 61,000 |
| Peter French | - | 166,666 | - | 166,666 |
| Tracey Cray | - | 166,666 | - | 166,666 |
| Theo Renard | - | 166,666 | - | 166,666 |
| | <u>250,061,000</u> | <u>499,998</u> | <u>-</u> | <u>250,560,998</u> |

| | Balance at the start of the year | Additions on rights exercised | Disposals/ other | Balance at the end of the year |
|------------------------|----------------------------------|-------------------------------|------------------|--------------------------------|
| 2021 | | | | |
| <i>Ordinary shares</i> | | | | |
| Jhon Shen | 250,000,000 | - | - | 250,000,000 |
| Leo Cui | 61,000 | - | - | 61,000 |
| Peter French | - | - | - | - |
| Tracey Cray | - | - | - | - |
| Theo Renard | - | - | - | - |
| | <u>250,061,000</u> | <u>-</u> | <u>-</u> | <u>250,061,000</u> |

Innlanz Limited
Directors' report
30 June 2022

Other transactions with key management personnel:

On 30 April 2021, Innlanz Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, the hotel was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. The purchase price is being repaid in instalments.

The following balances are outstanding at the reporting date in relation to loan with this entity:

| | 2022 | 2021 |
|---|-------------|-------------|
| | \$ | \$ |
| <i>Current borrowings:</i> | | |
| Deferred consideration to Premier Hospitality Management (director related entity of Jhon Shen and Yeshween Mudaliar) | 1,283,446 | 2,142,995 |
| Loan from Lotus Hospitality (NZ) Pty Ltd (director related entity of Yeshween Mudaliar) | 118,812 | 64,985 |

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

The following ordinary shares of Innlanz Limited were issued during the year ended 30 June 2022 and up to the date of this report on the exercise of NED rights granted:

| | Exercise price | Number of shares issued |
|---------------------------|----------------|-------------------------|
| Date NED rights exercised | | |
| 2 February 2022 | Nil | 499,998 |

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the Group

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

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

Innlanz Limited
Directors' report
30 June 2022

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

Officers of the company who are former partners of Accounting Firm (RSM Australia Partners)

There are no officers of the company who are former partners of Accounting Firm (RSM Australia Partners).

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

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

Auditor

RSM Australia Partners has been appointed as auditor of the Group on 23 February 2022 and continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

On behalf of the directors



Dr, Peter French
Chairman

29 September 2022

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Innlanz Limited and its Controlled Entities for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

 GNS

G N Sherwood
Partner

Sydney, NSW

Dated: 29 September 2022

General information

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

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

18-40 Anderson Street,
PARRAMATTA
NSW 2150

A description of the nature of the Group'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 by the directors, on 29 September 2022. The directors have the power to amend and reissue the financial statements.

Innlanz Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|------|----------------------------|--------------|
| Revenue | 4 | 1,593,674 | 1,157,489 |
| Cost of sales | | (31,439) | (541,369) |
| Gross profit | | 1,562,235 | 616,120 |
| Other income | 4 | 5,181 | 139,627 |
| Government grant | 4 | 75,803 | 629,753 |
| Gain on loss of control on subsidiaries | | - | 1,844,206 |
| Gain on lease termination | 29 | 288,206 | 378,814 |
| Gain on bargain purchase | | - | 365,237 |
| Bad debt write-off | | - | (91,000) |
| Inventory written off | | (49,934) | (392,397) |
| Marketing expenses | | (26,091) | (18,501) |
| Occupancy expenses | | - | 70,767 |
| Administrative expenses | | (1,411,738) | (2,102,682) |
| Employee benefit expenses | | (1,095,708) | (1,151,014) |
| Share-based payment expenses | | - | (552,311) |
| Finance costs | | (124,629) | (141,291) |
| Impairment expenses | 5 | - | (3,461,417) |
| Loan forgiveness on the loss of control of subsidiaries | | - | (3,134,450) |
| Loss before income tax expense | | (776,675) | (7,000,539) |
| Income tax expense | 6 | (154,392) | 720,124 |
| Loss after income tax expense for the year | | (931,067) | (6,280,415) |
| Other comprehensive income / (loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of land and buildings, net of tax | | 868,034 | - |
| Foreign currency translation | | (79,420) | (19,175) |
| Other comprehensive income / (loss) for the year, net of tax | | 788,614 | (19,175) |
| Total comprehensive loss for the year | | (142,453) | (6,299,590) |
| Loss for the year is attributable to: | | | |
| Owners of Innlanz Limited | | (885,735) | (6,264,290) |
| Non-controlling interests | | (45,332) | (16,125) |
| | | (931,067) | (6,280,415) |
| Total comprehensive loss for the year is attributable to: | | | |
| Owners of Innlanz Limited | | (97,121) | (6,264,290) |
| Non-controlling interests | | (45,332) | (16,125) |
| | | (142,453) | (6,280,415) |
| | | Cents | Cents |
| Earnings | | | |
| Basic earnings per share | 21 | (0.30) | (2.01) |
| Diluted earnings per share | 21 | (0.30) | (2.01) |

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

Innlanz Limited
Statement of financial position
As at 30 June 2022

| | Note | Consolidated 2022 \$ | 2021 \$ |
|--|------|----------------------------|--------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 1,291,963 | 3,391,075 |
| Trade and other receivables | 8 | 109,224 | 377,148 |
| Prepayments | | 17,876 | 15,278 |
| Inventories | 9 | 7,785 | 81,097 |
| Total current assets | | <u>1,426,848</u> | <u>3,864,598</u> |
| Non-current assets | | | |
| Property, plant and equipment | 10 | 6,679,944 | 5,723,691 |
| Intangibles | 11 | 16,942 | 18,733 |
| Deferred tax assets | 33 | 144,863 | 178,812 |
| Total non-current assets | | <u>6,841,749</u> | <u>5,921,236</u> |
| Total assets | | <u>8,268,597</u> | <u>9,785,834</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | 932,522 | 804,920 |
| Provisions | 13 | 104,389 | 61,384 |
| Current tax liabilities | | 17,670 | 65,363 |
| Lease liabilities | 29 | - | 499,598 |
| Deferred consideration | 14 | 1,283,446 | 1,150,470 |
| Total current liabilities | | <u>2,338,027</u> | <u>2,581,735</u> |
| Non-current liabilities | | | |
| Deferred tax liabilities | 34 | 655,659 | 268,013 |
| Lease liabilities | 29 | - | 403,371 |
| Deferred consideration | 14 | - | 992,525 |
| Borrowings | 15 | 2,389,971 | 2,512,797 |
| Total non-current liabilities | | <u>3,045,630</u> | <u>4,176,706</u> |
| Total liabilities | | <u>5,383,657</u> | <u>6,758,441</u> |
| Net assets | | <u>2,884,940</u> | <u>3,027,393</u> |
| Equity | | | |
| Issued capital | 16 | 11,898,945 | 11,898,945 |
| Reserves | 17 | 786,026 | (2,588) |
| Accumulated losses | | <u>(9,738,574)</u> | <u>(8,852,839)</u> |
| Total equity attributable to members of the Group | | 2,946,397 | 3,043,518 |
| Non-controlling interests | 19 | (61,457) | (16,125) |
| Total equity | | <u>2,884,940</u> | <u>3,027,393</u> |

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

Innlanz Limited
Statement of changes in equity
For the year ended 30 June 2022

| | Issued capital | Group restructure reserve | Foreign currency reserve | Share-based payments reserve | Retained Profits/ (Accumulated losses) | Total | Non- controlling Interest | Total equity |
|--|-------------------|---------------------------------|--------------------------------|------------------------------------|---|------------------|---------------------------------|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2020 | 11,898,945 | 71,146 | (54,559) | 1,627,251 | (4,768,111) | 8,774,672 | - | 8,774,672 |
| Loss after income tax expense for the year | | - | - | - | (6,264,290) | (6,264,290) | (16,125) | (6,280,415) |
| Other comprehensive income for the year, net of tax | - | - | (19,175) | - | - | (19,175) | - | (19,175) |
| Total comprehensive income for the year | - | - | (19,175) | - | (6,264,290) | (6,283,465) | (16,125) | (6,299,590) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | | | | | |
| Share-based payments | - | - | - | 552,311 | - | 552,311 | - | 552,311 |
| Transfer from reserve to accumulated losses | - | - | - | (2,179,562) | 2,179,562 | - | - | - |
| Balance at 30 June 2021 | <u>11,898,945</u> | <u>71,146</u> | <u>(73,734)</u> | <u>-</u> | <u>(8,852,839)</u> | <u>3,043,518</u> | <u>(16,125)</u> | <u>3,027,393</u> |

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

Innlanz Limited
Statement of changes in equity
For the year ended 30 June 2022

| | Issued capital | Group restructure reserve | Foreign currency reserve | Assets revaluation reserve | Accumulated losses | Total | Non- controlling Interest | Total equity |
|--|-------------------|---------------------------------|--------------------------------|----------------------------------|-----------------------|------------------|---------------------------------|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 11,898,945 | 71,146 | (73,734) | - | (8,852,839) | 3,043,518 | (16,125) | 3,027,393 |
| Loss after income tax expense for the year | - | - | - | - | (885,735) | (885,735) | (45,332) | (931,067) |
| Other comprehensive income/(loss) for the year, net of tax | - | - | (79,420) | 868,034 | - | 788,614 | - | 788,614 |
| Total comprehensive income/(loss) for the year | - | - | (79,420) | 868,034 | (885,735) | (97,121) | (45,332) | (142,453) |
| Balance at 30 June 2022 | <u>11,898,945</u> | <u>71,146</u> | <u>(153,154)</u> | <u>868,034</u> | <u>(9,738,574)</u> | <u>2,946,397</u> | <u>(61,457)</u> | <u>2,884,940</u> |

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

Innlanz Limited
Statement of cash flows
For the year ended 30 June 2022

| | | Consolidated | |
|--|-------------|---------------------|-------------|
| | Note | 2022 | 2021 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 1,867,873 | 687,779 |
| Payments to suppliers and employees (inclusive of GST) | | (2,423,617) | (3,920,492) |
| Interest received | | 4,798 | 58,334 |
| Lease payments (interest) | | - | (111,220) |
| Interest and other finance cost paid | | (84,178) | (18,167) |
| Net income taxes received/(paid) | | (111,392) | 338,642 |
| Government grants and tax incentives | | 75,803 | 629,753 |
| Net cash used in operating activities | 32 | (670,713) | (2,335,371) |
| Cash flows from investing activities | | | |
| Payments to acquire plant and equipment | 10 | (30,088) | (4,342) |
| Payments for deferred consideration | 14 | (900,000) | (204,572) |
| Payment to related party | | - | (197,961) |
| Receipts from related party | | 81,833 | 99,985 |
| Loss of control over subsidiaries | | - | (876,306) |
| Net cash used in investing activities | | (848,255) | (1,183,196) |
| Cash flows from financing activities | | | |
| Lease payment (principal) | | (516,267) | (382,445) |
| Repayment of borrowings | | (45,094) | - |
| Net cash used in financing activities | | (561,361) | (382,445) |
| Net decrease in cash and cash equivalents | | (2,080,329) | (3,901,012) |
| Cash and cash equivalents at the beginning of the financial year | | 3,391,075 | 7,304,139 |
| Effects of exchange rate changes on cash and cash equivalents | | (18,783) | (12,052) |
| Cash and cash equivalents at the end of the financial year | 7 | 1,291,963 | 3,391,075 |

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

Note 1. CORPORATION INFORMATION

Innlanz Limited is a company limited by shares incorporated in New South Wales on 27 August 2018.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

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

As disclosed in the financial statements, the consolidated entity incurred a loss of \$931,067 and had net cash outflows from operating and investing activities of \$670,713 and \$848,255 respectively for the year ended 30 June 2022. As at that date the consolidated entity had net current liabilities of \$911,179 and net assets of \$2,884,940.

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

- The Group has cash balance of \$1,291,963 as at 30 June 2022 which the directors believe will be adequate to fund operations for the 12 months following the date of the financial report;
- On 6 May 2022, the Group has successfully extended its loan facility of NZD\$2.48m with Bank of New Zealand to 13 May 2027 and the balance yet to be draw down as of 30 June 2022 was NDZ\$450,000; and
- Included in current liabilities is \$1,283,446 of deferred consideration payable to Premier Hospitality Management Pty Ltd in relation to the acquisition of the Heartland Ambassador Hamilton Hotel. Jhon Shen, the Executive Director and significant shareholder of Innlanz Limited, is the beneficial owner of Premier Hospitality Management. As at 22 September 2022, Jhon Shen confirmed that Premier Hospitality Management Pty Ltd will not require the repayment of the deferred settlement consideration for at least 12 months following the date of the audit reports for Innlanz Limited for the year ended 30 June 2022.

The principal accounting policies adopted in the preparation of the financial report are set out below. The financial report covers the consolidated group of Innlanz Limited ("the Company") and its controlled entities ("the Group").

The accounting policies have been consistently applied to all years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group 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.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 27.

Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

Goods and services tax

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Employee benefits

Employees of the Group receive defined contribution superannuation entitlements for which the Group pays the fixed superannuation guarantee contribution (currently 10% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognized as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars which is the Group's functional and presentation currency.

Transactions and balances

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

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

Exchange difference arising on translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the profit or loss.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date
- income and expense are translated at average exchange rates for the year; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are also recognised in the statement of comprehensive income as other comprehensive income. The foreign currency reserve is recognised in profit or loss when the foreign operation is disposed of.

Current and non-current classification

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

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

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

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

Fair value measurement

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

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

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements, estimates and assumptions

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

| Judgement Area | Note |
|----------------------------------|------|
| Fair value on land and buildings | 10 |

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 Group 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 Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 3. SEGMENT INFORMATION

The Group identifies its operating segments based on the internal reports that are reviewed and used by the Group's chief operating decision makers (CODM). The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 5 to 11. For the year ended 30 June 2022, the Group examines the group's performance both from a division and geographic perspective and has identified three reportable segments of the Group's business:

- Retailer servicing the Chinese inbound tourism sector in Australia and New Zealand; and
- Hotel operations.

Profit and loss disclosure

| | Hotel 2022 \$ | Retail 2022 \$ | Total 2022 \$ | Hotel 2021 \$ | Retail 2021 \$ | Online 2021 \$ | Total 2021 \$ |
|---------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|
| Sale of goods | | | | | | | |
| Australia | - | - | - | - | 273,338 | 377,607 | 650,945 |
| New Zealand | - | - | - | - | 2,200 | - | 2,200 |
| | - | - | - | - | 275,538 | 377,607 | 653,145 |
| Commission received | | | | | | | |
| Australia | - | - | - | - | 103,807 | - | 103,807 |
| New Zealand | - | - | - | - | - | - | - |
| | - | - | - | - | 103,807 | - | 103,807 |
| Hotel revenue | | | | | | | |
| Australia | - | - | - | - | - | - | - |
| New Zealand | 1,593,674 | - | 1,593,674 | 400,537 | - | - | 400,537 |
| | 1,593,674 | - | 1,593,674 | 400,537 | - | - | 400,537 |
| Other revenue | | | | | | | |
| Australia | - | 3,775 | 3,775 | - | 137,235 | - | 137,235 |
| New Zealand | 24 | 1,382 | 1,406 | - | 2,392 | - | 2,392 |
| | 24 | 5,157 | 5,181 | - | 139,627 | - | 139,627 |
| Government grant | | | | | | | |
| Australia | - | - | - | - | 627,361 | - | 627,361 |
| New Zealand | 75,803 | - | 75,803 | - | 2,392 | - | 2,392 |
| | 75,803 | - | 75,803 | - | 629,753 | - | 629,753 |
| Less: COGS | | | | | | | |
| Australia | - | - | - | - | (176,506) | (356,902) | (533,408) |
| New Zealand | (31,439) | - | (31,439) | (10,353) | 2,392 | - | (7,961) |
| | (31,439) | - | (31,439) | (10,353) | (174,114) | (356,902) | (541,369) |
| Operating expense | | | | | | | |
| Australia | - | (1,092,788) | (1,092,788) | - | (2,193,105) | (253,660) | (2,446,765) |
| New Zealand | (1,427,116) | (84,026) | (1,511,142) | (276,692) | (349,523) | - | (626,215) |
| | (1,427,116) | (1,176,814) | (2,603,930) | (276,692) | (2,542,628) | (253,660) | (3,072,980) |
| Depreciation and amortisation | | | | | | | |
| Australia | - | (1,792) | (1,792) | - | (451,840) | (160,661) | (612,501) |
| New Zealand | (101,500) | (878) | (102,378) | (52,797) | (80,780) | (7,060) | (140,637) |
| | (101,500) | (2,670) | (104,170) | (52,797) | (532,620) | (167,721) | (753,138) |
| Segment profit or (loss) | | | | | | | |
| Australia | - | (1,090,805) | (1,090,805) | - | (1,679,710) | (393,616) | (2,073,326) |
| New Zealand | 109,446 | (83,522) | 25,924 | 60,695 | (420,927) | (7,060) | (367,292) |
| | 109,446 | (1,174,327) | (1,064,881) | 60,695 | (2,100,637) | (400,676) | (2,440,618) |

Note 3. SEGMENT INFORMATION (CONTINUED)

| | Total 2022 \$ | Total 2021 \$ |
|---|------------------------------|------------------------------|
| Add unallocated/corporate (cost)/income: | | |
| Gain on de-group | - | 1,844,206 |
| Gain or loss on termination | 288,206 | 378,814 |
| Gain on bargain sales | - | 365,237 |
| Share-based payment | - | (552,311) |
| Impairment expenses | - | (3,461,417) |
| Loan forgiveness | - | (3,134,450) |
| Income tax expense | (154,392) | 720,124 |
| | <u>(931,067)</u> | <u>(6,280,415)</u> |

Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment.

| | Hotel 2022 \$ | Retail 2022 \$ | Total 2022 \$ | Hotel 2021 \$ | Retail 2021 \$ | Total 2021 \$ |
|---|------------------------------|-------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|
| Segment assets | | | | | | |
| Australia | - | 1,216,162 | 1,216,162 | - | 3,533,806 | 3,533,806 |
| New Zealand | 6,865,481 | 42,091 | 6,907,572 | 5,785,519 | 287,697 | 6,073,216 |
| Total segment assets | 6,865,481 | 1,258,253 | 8,123,734 | 5,785,519 | 3,821,503 | 9,607,022 |
| Unallocated assets | | | 144,863 | | | - |
| Total assets as per the balance sheet | | | <u>8,268,597</u> | | | <u>9,607,022</u> |
| Segment liabilities | | | | | | |
| Australia | - | (1,830,154) | (1,830,154) | - | (2,658,248) | (2,658,248) |
| New Zealand | (2,668,627) | (229,217) | (2,897,844) | (3,059,856) | (772,324) | (3,832,180) |
| Total segment liabilities | (2,668,627) | (2,059,371) | (4,727,998) | (3,059,856) | (3,430,572) | (6,490,428) |
| Unallocated liabilities | | | (655,659) | | | (245,971) |
| Total liabilities as per the balance sheet | | | <u>(5,383,657)</u> | | | <u>(6,736,399)</u> |

Note 4. REVENUE AND OTHER INCOME

| | 2022 \$ | 2021 \$ |
|----------------------------|------------------|------------------|
| Revenue | | |
| Hotel operations | 1,593,674 | 400,537 |
| Sale of goods | - | 653,145 |
| Commission received | - | 103,807 |
| Total revenue | 1,593,674 | 1,157,489 |
| Other income | | |
| Accounts payable write off | - | 81,293 |
| Interest income | 4,798 | 21,555 |
| Other income | 383 | 36,779 |
| Total other income | 5,181 | 139,627 |
| Government grant | 75,803 | 629,753 |

Recognition and Measurement

Sales of goods

The Group has earned the sales revenue from the sale of products through its four retail stores. Revenue for these activities are recognised when the customers obtain control of these assets at the point in time when the customer has obtained control of the goods which is considered to be fulfilment of the performance obligation. Revenue is measured with consideration to any trade discounts and volume rebates.

Hotel operating revenue

Revenue from hotel operations is recognised at the amount of consideration received or receivable, excluding sales taxes, rebates, and discounts, when the purchased rooms and services are rendered. The Group allocates the transaction price to each performance obligation based on the relative standalone selling prices of the rooms and services if there are more than one performance obligation satisfied at a point in time.

Government grants / subsidies

Government grants are recognised as income when it is reasonably certain that the company complies the conditions attached to them and when the right to receive payment is established. The company has elected to recognise grant income as other income in the financial statements.

Commission income

The Group also derives revenue from commission through agreements with third party retailers who pay the Group a commission from the sales generated on Chinese tour groups that the Group arranges to visit these third-party retailers. Revenue for these activities is recognised when the tour groups purchased the products with these third-party retailers and obtain control of these assets at the time of delivery of the goods.

Interest income

Interest income is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other income

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

Note 5. EXPENSES

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| <i>Finance costs</i> | | |
| Interest charges paid/payable for lease liabilities | - | 111,220 |
| <i>Superannuation expenses</i> | | |
| Defined contribution superannuation expenses (including non-executive Director) | 35,045 | 29,157 |

Note 5. EXPENSES (CONTINUED)

| | 2022 | 2021 |
|--|-------------|------------------|
| | \$ | \$ |
| <i>Items included in administrative expenses include</i> | | |
| Depreciation and amortisation expenses | 104,170 | 276,622 |
| Depreciation of right of use asset | - | 476,516 |
| <i>Impairment expense</i> | | |
| Impairment of goodwill | - | 321,882 |
| Impairment of other assets | | |
| Property, plant and equipment (Note 10) | - | 1,237,086 |
| Right-of-use assets (Note 27) | - | 1,392,305 |
| Intangible assets (Note 11) | - | 176,170 |
| Inventory | - | 75,000 |
| Intercompany loan on acquisition | - | 93,068 |
| Impairment of receivables | - | 165,906 |
| | <u>-</u> | <u>3,461,417</u> |

Impairment of Assets Accounting Policies

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Note 6. INCOME TAX EXPENSES

| | 2022 | 2021 |
|---------------------------------------|-----------------------|-------------------------|
| | \$ | \$ |
| Income tax expense / (benefit) | | |
| Current tax | 40,950 | 25,500 |
| Deferred tax | 113,442 | (745,624) |
| | <u>154,392</u> | <u>(720,124)</u> |

Numerical reconciliation of income tax to prima facie tax payable:

| | | |
|---|-----------|-------------|
| Prima facie income tax expense on loss from ordinary activities (25%-28%) | (194,169) | (2,100,748) |
|---|-----------|-------------|

Tax effect amounts which are not deductible/(taxable) in calculating taxable income:

| | | |
|--|-----------------------|-------------------------|
| Add non-accessible income | (8,338) | (49,625) |
| Add other assessable income | - | 13,043 |
| Add non-deductible expense | 42,472 | 9,016 |
| Add gain on bargain purchase | - | (108,985) |
| Non-deductible share-based payment expenses | - | 165,693 |
| Non-deductible amortisation and depreciation | 50,555 | (446,224) |
| Non-deductible impairment | - | 640,195 |
| Non-deductible loan forgiveness | - | 940,335 |
| Add back gain on loss of control on subsidiaries | - | (902,459) |
| Difference in overseas tax rates | 9,071 | 23,784 |
| Under provision in prior year | 18,441 | 20,714 |
| Less: Tax loss not recognised | 236,360 | 1,075,137 |
| Income tax expense / (benefit) | <u>154,392</u> | <u>(720,124)</u> |

Note 6. INCOME TAX EXPENSES (CONTINUED)

Reconciliation of DTA and DTL

| | DTA | DTL |
|---------------------------------|----------------|----------------|
| Balance at 1 July 2021 | 178,812 | 268,013 |
| DTL on FV of land and buildings | - | 337,569 |
| Other temporary differences | (33,949) | 50,077 |
| Balance at 30 June 2022 | 144,863 | 655,659 |

Potential deferred tax assets attributable to tax losses carried forward for the company, have not been brought to account as the directors believe it is not appropriate to regard realisation of the deferred tax asset as probable. The benefit will only be obtained if:

- The group derives future assessable income of a nature and amount sufficient to enable the benefits from the deductions for the losses to be realised;
- The group continues to comply with the conditions for deductibility imposed by the law;
- The losses are available under the continuity of ownership or same business tests;
- No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the losses.

The total amount of unused tax losses for which no deferred tax asset has been recognised is \$1,108,628, tax effected at 25% (2021: 30%) \$277,157. (2021: \$689,686)

Recognition and Measurement

Current tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit), and deferred tax expense/(benefit). Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period together with the research and development claim submitted for the reporting period. Current tax liabilities/assets are therefore measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred tax

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

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

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

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

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

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

Note 7. CASH AND CASH EQUIVALENTS

| | June 2022 \$ | June 2021 \$ |
|--------------|------------------|------------------|
| Cash on hand | 733 | 751 |
| Cash at bank | 1,291,230 | 3,390,324 |
| | 1,291,963 | 3,391,075 |

Recognition and Measurement

Cash and cash equivalents include cash on hand and cash at bank.

Cash at bank bears floating interest rates. The interest rate relating to cash and cash equivalents for the year across all bank accounts was between 0.00% and 2.40% (2020-21: between 0.00% and 2.40%).

Note 8. TRADE AND OTHER RECEIVABLES

| | June 2022 \$ | June 2021 \$ |
|-------------------|-----------------|-----------------|
| Trade receivables | 77,356 | 91,498 |
| Other receivables | 25,191 | 283,768 |
| GST receivables | 6,677 | 1,882 |
| | 31,868 | 285,650 |
| | 109,224 | 377,148 |

Recognition and Measurement

Trade receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables and contract assets have shared credit risk characteristics and, as such, the expected loss rates for trade receivables are a reasonable approximation of loss rates for contract assets. Losses incurred in the last 3 years represent less than 0.1% of receivables and are immaterial. Therefore, no expected credit loss allowance has been recorded.

Note 9. INVENTORIES

| | June 2022 \$ | June 2021 \$ |
|----------------|-----------------|-----------------|
| Finished goods | 7,785 | 81,097 |
| | 7,785 | 81,097 |

Recognition and Measurement

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of costs of purchase, delivery costs, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 10. PROPERTY, PLANT AND EQUIPMENT

| | June 2022 \$ | June 2021 \$ |
|--|------------------|------------------|
| Land | 3,173,124 | 2,659,091 |
| Buildings | 3,242,415 | 2,701,929 |
| Less: Accumulated depreciation | (102,408) | (43,672) |
| | 3,140,007 | 2,658,257 |
| Fixtures and fittings - at cost | 345,887 | 356,915 |
| Less: Accumulated depreciation | (155,595) | (131,862) |
| | 190,292 | 225,053 |
| Office equipment - at cost | 315,965 | 295,923 |
| Less: Accumulated depreciation | (139,444) | (114,633) |
| | 176,521 | 181,290 |
| Total property, plant and equipment | 6,679,944 | 5,723,691 |

Reconciliations

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

| | Land \$ | Building \$ | Motor Vehicles \$ | Fixtures and fittings \$ | Office Equipment \$ | Lease Improvement \$ | Total \$ |
|--|------------|----------------|-------------------------|--------------------------------|---------------------------|----------------------------|-------------|
| Balance at 1 July 2020 | - | - | 187,336 | 1,326,928 | 136,796 | 1,380,338 | 3,031,398 |
| Write-off | - | - | - | - | (4,986) | - | (4,986) |
| Disposals due to loss of control | - | - | (162,018) | (1,301,806) | (109,798) | - | (1,573,622) |
| Impairment of CGU | - | - | (4,400) | - | (6,864) | (1,225,822) | (1,237,086) |
| Additions through business acquisition | 2,659,091 | 2,701,929 | - | 229,041 | 180,064 | - | 5,770,125 |
| Addition | - | - | - | - | 4,342 | - | 4,342 |
| Exchange differences | - | (2,307) | - | (1,300) | (311) | - | (3,918) |
| Depreciation expense | - | (41,365) | (20,918) | (27,810) | (17,953) | (154,516) | (262,562) |
| Balance at 30 June 2021 | 2,659,091 | 2,658,257 | - | 225,053 | 181,290 | - | 5,723,691 |
| Write-off | - | - | - | (686) | (558) | - | (1,244) |
| Addition | - | - | - | - | 29,102 | - | 29,102 |
| Revaluation increment | 596,291 | 609,321 | - | - | - | - | 1,205,603 |
| Exchange differences | (82,258) | (81,246) | - | (6,350) | (4,976) | - | (174,830) |
| Depreciation expense | - | (46,316) | - | (27,725) | (28,337) | - | (102,378) |
| Balance at 30 June 2022 | 3,173,124 | 3,140,007 | - | 190,292 | 176,521 | - | 6,679,944 |

Recognition and Measurement

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The current valuation has been done on November 2021. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

Note 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

| | |
|------------------------|------------|
| Furniture and fittings | 3-40 years |
| Leasehold improvements | 3-10 years |
| Office equipment | 1-5 years |
| Buildings | 25 years |
| Motor vehicle | 5-10 years |

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

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

Key estimates and judgements

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group 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. Refer to Note 5.

Fair value measurement hierarchy

The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

The basis of the valuation of land and buildings is fair value and is classified as level 3. The land and buildings were last revalued on November 2021 based on independent assessments by Colliers New Zealand, who recent experience in the location and category of land and buildings being valued. This valuation was performed based on a mixture of 2 approaches being the capitalisation approach and discounted cash flow approach. These valuation methodologies considered current prices for similar properties in the same location and condition. The directors do not believe that there has been a material movement in fair value since the revaluation date.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Note 10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Description | Unobservable inputs | Range (weighted average) | Sensitivity |
|--------------------|--------------------------------------|--------------------------|---|
| Land and buildings | <i>Capitalisation approach</i> | | |
| | Stabilised yield | 7.25% | 0.5% change would increase/decrease fair value by \$500,000 |
| | <i>Discounted cash flow approach</i> | | |
| | Terminal yield | 7.5% | 0.5% change would increase/decrease fair value by \$400,000 |
| | Discount rate | 8.5% | 0.5% change would increase/decrease fair value by \$200,000 |

Note 11. INTANGIBLES

| | June 2022 \$ | June 2021 \$ |
|--------------------------------|----------------------|----------------------|
| Trademark - at cost | 16,239 | 16,239 |
| Less: Accumulated amortisation | (2,297) | (1,706) |
| | <u>13,942</u> | <u>14,533</u> |
| Website | 6,000 | 6,000 |
| Less: Accumulated amortisation | (3,000) | (1,800) |
| | <u>3,000</u> | <u>4,200</u> |
| Total intangibles | <u>16,942</u> | <u>18,733</u> |

Reconciliations

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

| | Goodwill \$ | Patent and Trademark \$ | Customer Relationship \$ | Website \$ | Total \$ |
|--------------------------------|----------------|-------------------------------|--------------------------------|---------------|---------------|
| Balance at 1 July 2020 | 321,882 | 119,247 | 80,000 | 5,400 | 526,529 |
| Impairment of CGU | (321,882) | (96,170) | (80,000) | - | (498,052) |
| Exchange differences | - | (3,191) | - | - | (3,191) |
| Amortisation expense | - | (5,353) | - | (1,200) | (6,553) |
| Balance at 30 June 2021 | - | 14,533 | - | 4,200 | 18,733 |
| Amortisation expense | - | (591) | - | (1,200) | (1,791) |
| Balance at 30 June 2022 | - | 13,942 | - | 3,000 | 16,942 |

Recognition and Measurement

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

Note 11. INTANGIBLES (CONTINUED)

in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

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

Patent and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Amortisation is systematically allocated over the useful life of each patent and trademark. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 10 years.

Customer Relationship

Customer relationships were acquired as part of a business combination. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis over their estimated useful lives. Customer relationship have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. In calculating amortisation costs, patents are taken to have a useful life of 20 years, trademarks are taken to have a useful life of 5 years

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit, refer to Note 5.

Note 12. TRADE AND OTHER PAYABLES

| | June 2022 \$ | June 2021 \$ |
|----------------------------------|-----------------|-----------------|
| Trade payables | 294,819 | 306,247 |
| Other payables – related parties | 193,097 | 111,600 |
| Other payables | 444,606 | 387,073 |
| | 932,522 | 804,920 |

Recognition and Measurement

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid with 30 days of recognition of the liability.

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the financial risks associated with trade and other payables refer to Note 20.

Note 13. PROVISIONS

| | June 2022 \$ | June 2021 \$ |
|-------------------|-----------------|-----------------|
| Employee benefits | 104,389 | 61,384 |
| | 104,389 | 61,384 |

Recognition and Measurement

Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 14. DEFERRED CONSIDERATION

| | June 2022 \$ | June 2021 \$ |
|--|------------------|------------------|
| <i>Current</i> | | |
| Deferred consideration to Premier Hospitality Management | 1,283,446 | 1,150,470 |
| | 1,283,446 | 1,150,470 |
| <i>Non-Current</i> | | |
| Deferred consideration to Premier Hospitality Management | - | 992,525 |
| | - | 992,525 |

Recognition and Measurement

Deferred consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the deferred consideration classified as an asset or liability is recognised in profit or loss. Refer to Note 28.

On 30 April 2021, Mediland Pharm Limited acquired 100% shares in Ixora Investment Pty Ltd which owns the Heartland Ambassador Hamilton Hotel in New Zealand, this was previously owned by Premier Hospitality Management, Jhon Shen is the beneficial owner of Premier Hospitality Management, and Yeshween Mudaliar is the sole director. The total deferred payment of \$2,200,000, was agreed by both parties to be paid at \$100,000 per month. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. Due to the COVID impact, the Company has not yet fully paid the consideration to Premier Hospitality Management. Repayments of \$900,000 have been made in the year under review. Jhon Shen agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022, and ending on October 31, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

Note 15. BORROWINGS

| | June 2022 \$ | June 2021 \$ |
|-------------------------------|------------------|------------------|
| <i>Non-Current Borrowings</i> | | |
| BNZ Commercial loan | 2,389,971 | 2,512,797 |
| | 2,389,971 | 2,512,797 |

Heartland Ambassador Hamilton Hotel's bank loan facility has an outstanding balance, totalling \$2,389,971, is an interest only loan at an annual average interest rate of 3.14%. The facility was renegotiated in May 2022. The facility limit is \$2,480,000 with non-utilisation fee of 1.65% per annum. The loan matures on 13 May 2027 and is repayable on that date. The interest rate is variable and was 4.13% at the time the facility was renegotiated in May 2022. The loan is guaranteed by Jhon Shen. The loan is secured by a General Security Agreement over all present and after acquired property Ixora Investments Limited. It has additional security in the form of a Mortgage over Record/s of Title No. 767682 being property situated at 86-92 Ulster Street, Hamilton.

Recognition and Measurement

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 16. ISSUED CAPITAL

| | 2022 Shares | 2021 Shares | 2022 \$ | 2021 \$ |
|--|----------------|----------------|------------|------------|
| Ordinary shares - fully paid | 313,263,608 | 312,763,610 | 11,989,945 | 11,989,945 |
| <i>Movements in ordinary share capital</i> | | | | |

| Details | Date | Shares | Issue price | \$ |
|---|-----------------|--------------------|-------------|-------------------|
| Balance | 1 July 2021 | 312,763,610 | | 11,989,945 |
| Issue of shares on the exercise of NED rights | 2 February 2022 | 499,998 | \$0.00 | \$0.00 |
| Balance | 30 June 2022 | 313,263,608 | | 11,989,945 |

Recognition and Measurement

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 and the Company does not have a limited amount of authorised capital.

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Details of rights over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Non-Executive Director (NED) Rights in Lieu of Fees

| Name | Date granted | Balance at start of year (unvested) | Granted during the year | Rights to deferred shares Vested | Forfeited | Balance at end of year (unvested) |
|--------------|-----------------|---|----------------------------|-------------------------------------|------------|---|
| Peter French | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Tracey Cray | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Theo Renard | 24.01.2019 | \$20,000 | - | \$10,000 | (\$20,000) | - |

Note 16. ISSUED CAPITAL (CONTINUED)

| Name | Date granted | Balance at start of year (unvested) | Vested during the year | Rights exercised to obtain shares | Rights forfeited | Balance at end of year (unvested) |
|--------------|--------------|-------------------------------------|------------------------|-----------------------------------|------------------|-----------------------------------|
| Peter French | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Tracey Cray | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Theo Renard | 24.01.2019 | 219,621 | 167,224 | 166,666 | (220,179) | - |

The rights were granted to Non-Executive Directors as part of their remuneration packages. Each Director was entitled to \$10,000 in rights vesting annually for three years from the date of their appointment. The number of rights that vested was based on the volume weighted average of the share price for the 5 days preceding the vesting date. Each right converted to one share for no consideration. The Non-Executive Directors forfeited their rights in the year under review as part of the measures taken to support the company during the COVID pandemic.

Note 17. RESERVES

| | June 2022 \$ | June 2021 \$ |
|-----------------------------------|-----------------|-----------------|
| Assets revaluation reserve | 868,034 | - |
| Foreign currency reserve | (153,154) | (73,734) |
| Share-based payments reserve | - | 2,179,562 |
| Transferred to accumulated losses | - | (2,179,562) |
| Group restructure reserve | 71,146 | 71,146 |
| | 786,026 | (2,588) |

Recognition and Measurement

Assets revaluation reserve

The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

Foreign currency reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share-based payment reserve

The share-based payment reserve is used to recognise the grant date fair value of shares issued and vested to employees and directors. Refer to Note 20.

Note 18. DIVIDEND

There were no dividends paid, recommended, or declared during the current financial year. (FY2021: Nil)

Note 19. NON-CONTROLLING INTEREST

| | June 2022 \$ | June 2021 \$ |
|---------------|-----------------|-----------------|
| Retained loss | 61,457 | 16,125 |
| | 61,457 | 16,125 |

The non-controlling interest has a 35% (2021: 35%) equity holding in The Collection Hotels and Resorts Pty Ltd.

Note 20. SHARE BASED PAYMENTS

An employee incentive plan ("EIP") has been established by the Group at the initial public offering, whereby the Group may, at the discretion of the Remuneration & Nominations Committee, grant performance rights, options, deferred share awards or exempt share awards which may be subject to vesting conditions set by the Board.

Based on the EIP, the Company has also established a Long-Term Incentive Plan (LTIP) to encourage the high performance of its key management personnel and senior management personnel in order to promote the long-term success of the Company. The LTIP is an equity-based plan which is delivered in the form of Performance Rights. These Performance Rights have a three-year vesting period and will vest at the end of its period. On 9 July 2020, the first tranche of Performance Rights lapsed and was forfeited. The Board in applying its absolute discretion in relation to the 2nd and 3rd tranches of the Performance Rights vesting on 9 January 2021 and 9 January 2022 (expiring six months from each anniversary dates noted), terminated the LTIP in 25 September 2020 which originally issued during initial public offering.

Set out below are summaries of performance rights granted under the long-term incentive plan:

2022

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|---------------------------|--------------------------------|
| 09/01/2019 | 09/01/2022 | \$0.00 | - | - | - | - | - |
| | | | - | - | - | - | - |

2021

| Grant date | Expiry date | Exercise price | Balance at the start of the year | Granted | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
|------------|-------------|----------------|----------------------------------|---------|-----------|---------------------------|--------------------------------|
| 09/01/2019 | 09/01/2022 | \$0.00 | 12,050,000 | - | - | 12,050,000 | - |
| | | | 12,050,000 | - | - | 12,050,000 | - |

Set out below are summaries of non-executive directors' rights granted under the EIP:

On each anniversary after the grant date, the directors will receive \$10,000 worth of shares in the company in 2020, 2021 and 2022.

Details of rights over ordinary shares granted, vested, and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2022 are set out below:

Non-Executive Director (NED) Rights in Lieu of Fees

| Name | Date granted | Balance at start of year (unvested) | Granted during the year | Rights to deferred shares Vested | Forfeited | Balance at end of year (unvested) |
|--------------|--------------|-------------------------------------|-------------------------|----------------------------------|------------|-----------------------------------|
| Peter French | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Tracey Cray | 02.11.2018 | \$20,000 | - | \$10,000 | (\$20,000) | - |
| Theo Renard | 24.01.2019 | \$20,000 | - | \$10,000 | (\$20,000) | - |

| Name | Date granted | Balance at start of year (unvested) | Vested during the year | Rights exercised to obtain shares | Rights forfeited | Balance at end of year (unvested) |
|--------------|--------------|-------------------------------------|------------------------|-----------------------------------|------------------|-----------------------------------|
| Peter French | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Tracey Cray | 02.11.2018 | 132,787 | 136,612 | 166,666 | (102,733) | - |
| Theo Renard | 24.01.2019 | 219,621 | 167,224 | 166,666 | (220,179) | - |

The rights were granted to Non-Executive Directors as part of their remuneration packages. Each Director was entitled to \$10,000 in rights vesting annually for three years from the date of their appointment. The number of rights that vested was based on the volume weighted average of the share price for the 5 days preceding the vesting date. Each right converted to one share for no consideration. The Non-Executive Directors forfeited their rights in the year under review as part of the measures taken to support the company during the COVID pandemic.

Note 20. SHARE BASED PAYMENTS (CONTINUED)

Recognition and Measurement

Equity-settled share-based payments with employees and others providing similar services are measured at fair value of the equity instrument at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

Note 21. LOSS/EARNINGS PER SHARE

| | June 2022 | June 2021 |
|--|------------------|------------------|
| | \$ | \$ |
| a. Earnings used to calculate basic EPS from continuing operations | (931,067) | (6,280,415) |
| | Number | Number |
| b. Weighted average number of ordinary shares during the year used in calculating basic EPS* | 312,967,719 | 312,763,610 |
| c. Basic and Diluted earnings per share (cents per share) | (0.30) | (2.01) |

*Basic EPS is calculated as the profit (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Note 22. FINANCIAL INSTRUMENTS

The director's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effect on financial performance. Risk management policies are approved and reviewed by Director on a regular basis. These include the credit risk policies and future cash flow requirements.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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

| | Assets | | Liabilities | |
|---------------------|---------------|-------------|--------------------|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| New Zealand dollars | 224,942 | 475,704 | 427,791 | 502,852 |

The Group had net liabilities denominated in foreign currencies of \$202,848 (assets of \$224,942 less liabilities of \$427,791) as at 30 June 2022 (2021: net assets of \$27,148). Based on this exposure, had the Australian dollars weakened by 3% strengthened by 3% against these New Zealand dollar with all other variables held constant, the Group's profit before tax for the year would have been \$5,328 lower / \$5,328 higher. The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date. The actual foreign exchange gain for the year ended 30 June 2022 was \$Nil (2021: Nil).

Note 22. FINANCIAL INSTRUMENTS (CONTINUED)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value risk. The Group's bank loans outstanding, totalling \$2,389,971 (2021: \$2,512,797), are interest only payment loans. An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of \$23,900 (2021: \$25,127) per annum.

Credit risk

The Group has a credit risk exposure with customers from which the hotel operating revenue has generated, which as at 30 June 2022 balance owed the Group amounting of \$77,356 (2021: \$91,498). This balance was within its terms of trade and no impairment was made as at 30 June 2022. There are no guarantees against this receivable but management closely monitors the receivable balance on a daily basis and is in regular contact with this customer to mitigate risk. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

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

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

Liquidity risk

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

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

Financing arrangements

Unused borrowing facilities at the reporting date:

| | 2022 | 2021 |
|----------------------------------|------------------|------------------|
| Bank loans (balance at year end) | 2,389,971 | 2,512,797 |
| | <u>2,389,971</u> | <u>2,512,797</u> |

Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time. The facility limit is \$2,480,000

Note 22. FINANCIAL INSTRUMENTS (CONTINUED)

Remaining contractual maturities

The following tables detail the Group remaining contractual maturity for its financial instrument liabilities.

| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Total contractual cash flows \$ | Total Carrying amount \$ |
|--|---|-------------------------|--------------------------------|--------------------|--|-----------------------------------|
| 2022 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 294,819 | - | - | 294,819 | 294,819 |
| Other payables | - | 637,703 | - | - | 637,703 | 637,703 |
| Deferred consideration - Current | 3% | 1,283,446 | - | - | 1,283,446 | 1,283,446 |
| Deferred consideration – Non- Current | 3% | - | - | - | - | - |
| Borrowings- Non-Current | 4% | - | 2,389,971 | - | 2,389,971 | 2,389,971 |
| Total non-derivatives | | 2,215,968 | 2,389,971 | - | 4,605,939 | 4,605,939 |
| | Weighted average interest rate % | 1 year or less \$ | Between 1 and 5 years \$ | Over 5 years \$ | Total contractual cash flows \$ | Total Carrying amount \$ |
| 2021 | | | | | | |
| Non-derivatives | | | | | | |
| <i>Non-interest bearing</i> | | | | | | |
| Trade payables | - | 306,247 | - | - | 306,247 | 306,247 |
| Other payables | - | 498,673 | - | - | 498,673 | 498,673 |
| Lease liabilities- Current | 5% | 499,598 | - | - | 499,598 | 499,598 |
| Lease liabilities- Non-Current | 5% | - | 403,371 | - | 403,371 | 403,371 |
| Deferred consideration - Current | 3% | 1,150,470 | - | - | 1,150,470 | 1,150,470 |
| Deferred consideration – Non- Current | 3% | - | 992,525 | - | 992,525 | 992,525 |
| Borrowings- Non-Current | 4% | - | 2,512,797 | - | 2,512,797 | 2,512,797 |
| Total non-derivatives | | 2,454,988 | 3,908,693 | - | 6,363,681 | 6,363,681 |

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

Fair value of financial instruments

The fair values of financial assets and financial liabilities can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties at arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have material impact on the amounts estimated. Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is approximate to fair value.

Note 23. NON-CASH INVESTING AND FINANCING ACTIVITIES

| | 2022 | 2021 |
|---|------|------|
| Shares issued under employee share plan | - | - |
| | - | - |

Note 24. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Bank loans | Lease liability | Total |
|--|-----------------------|----------------------------|--------------|
| Balance at 1 July 2020 | - | 4,211,509 | 4,211,509 |
| Decrease in lease liability due to loss of control over subsidiaries | - | (2,165,115) | (2,165,115) |
| Lease arrangements terminated during the period | - | (760,980) | (760,980) |
| Net cash used in financing activities | - | (382,445) | (382,445) |
| Addition through business combination | 2,512,797 | - | 2,512,797 |
| Balance at 30 June 2021 | 2,512,797 | 902,969 | 3,415,766 |
| Lease arrangements terminated during the period | - | (386,702) | (386,702) |
| Net cash from/(used in) financing activities | (45,094) | (516,267) | (561,361) |
| Exchange differences | (77,732) | - | (77,732) |
| Balance at 30 June 2022 | 2,389,971 | - | 2,389,971 |

Note 25. CAPITAL RISK MANAGEMENT

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

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

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

Note 26. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

| Name | Principal place of business / Country of incorporation | Ownership interest | |
|---|---|---------------------------|-------------|
| | | 2022 | 2021 |
| | | % | % |
| Mediland Pharm NZ Ltd | New Zealand | 100% | 100% |
| Ixora Investment Pty Ltd | New Zealand | 100% | 100% |
| The Collection Hotels and Resorts Pty Ltd | Australia | 65% | 65% |

Consolidation accounting policies

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Innlanz Limited ('the Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Innlanz Limited and its subsidiaries together are referred to in these financial statements as the 'the Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Note 26. SUBSIDIARIES (CONTINUED)

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Note 27. PARENT ENTITY INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

| | June 2022 | June 2021 |
|---|------------------|------------------|
| | \$ | \$ |
| Current assets | 1,136,728 | 3,368,023 |
| Total assets | 4,353,906 | 6,837,401 |
| Current liabilities | 1,567,257 | 2,690,664 |
| Total liabilities | 1,739,361 | 2,873,837 |
| Equity | | |
| Issued capital | 11,898,945 | 11,898,945 |
| Reserves | - | 2,179,562 |
| Retained earnings | (9,284,403) | (10,114,943) |
| | 2,614,542 | 3,963,564 |
| (Loss) for the year | (1,074,791) | (3,387,031) |
| Total comprehensive (loss) for the year | (1,074,791) | (3,387,031) |

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 (2021: nil).

Capital commitments

The parent entity had no capital commitments for property, plant, and equipment at as 30 June 2022 (2020: nil).

Note 28: RELATED PARTY TRANSACTIONS

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

Parent entity

Innlanz Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

Note 28: RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related parties

The following transactions occurred with related parties:

| | 2022 \$ | 2021 \$ |
|---|------------|------------|
| <i>Current borrowings:</i> | | |
| Deferred consideration to Premier Hospitality Management (director related entity of Jhon Shen and Yeshween Mudaliar) | 1,283,446 | 2,142,995 |
| Loan from Lotus Hospitality (NZ) Pty Ltd (director related entity of Yeshween Mudaliar) | 118,812 | 64,985 |

The deferred consideration is unsecured and interest free, the term is 22 months. Due to the COVID impact, the Company has not yet fully paid the consideration to Premier Hospitality Management.

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

Note 29. AASB 16 LEASES

| | 30 June 2022 \$ | 30 June 2021 \$ |
|---|--------------------|--------------------|
| Liabilities | | |
| Lease Liabilities – current (AASB 16) | - | 499,598 |
| Lease Liabilities – non-current (AASB 16) | - | 403,371 |
| | - | 902,969 |
| Interest expense charged for the period | - | 97,609 |

Reconciliation of lease liability

\$

Balance at 1 July 2021

902,969

Lease arrangements terminated during the period

(614,763)

Gain on lease termination

(288,206)

Balance at 30 June 2022

-

| Lease | Location | Term | Termination date | Incremental borrowing rate |
|-------------|-------------|---|------------------|----------------------------|
| Head office | Sydney CBD | From 14 November 2018 to 30 June 2022 | 31 July 2021 | 5% |
| Shop | New Zealand | From 1 November 2018 to 31 October 2024 | 30 July 2021 | 5% |

Recognition and Measurement

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 Group 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.

Note 29. AASB 16 LEASES (CONTINUED)

The Group 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.

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 Group'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.

Note 30. AUDITORS REMUNERATION

During the financial year, the following fees were paid or payable for services provided by, the auditor of the Group:

| | 2022 \$ | 2021 \$ |
|--|------------|------------|
| <i>RSM Australia Partners¹</i> | | |
| Audit and review of the financial statements | 55,000 | - |
| <i>BDO</i> | | |
| Audit and review of the financial statements | - | 75,533 |

¹The Board on 31 October 2021 consented to the appointment of RSM Australia Partners in accordance with section 328A of the *Corporations Act 2001*, that RSM Australia Partners be appointed as replacement auditors of the Company subject to ASIC's approval of the resignation of BDO. The disclosure includes amounts received or due and receivable by RSM Australia Partners and their respective related entities.

Note 31. KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

| | 2022 \$ | 2021 \$ |
|------------------------------|----------------|----------------|
| Short-term employee benefits | 222,862 | 164,119 |
| Post-employment benefits | 17,445 | 10,366 |
| Share-based payments | - | 165,268 |
| | <u>240,307</u> | <u>339,753</u> |

Note 32. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

| | 2022 | 2021 |
|--|-------------------------|---------------------------|
| | \$ | \$ |
| (Loss) after income tax expense for the year | (931,067) | (6,280,415) |
| Adjustments for: | | |
| Gain on loss of control over subsidiaries | - | (1,844,206) |
| Gain on lease termination | (288,206) | (378,814) |
| Gain on bargain purchase | - | (365,237) |
| Depreciation and amortisation | 104,169 | 276,622 |
| Impairment expenses | - | 3,461,417 |
| Loan forgiveness | - | 3,134,450 |
| Bad debt expense | - | 91,000 |
| Inventory written off | 49,934 | 392,397 |
| Share-based payments | - | 552,311 |
| Interest expenses | - | 11,904 |
| Foreign exchange differences | 4,024 | (105,114) |
| Change in operating assets and liabilities (net of acquired business): | | |
| Decrease in trade and other receivables | 267,924 | 547,881 |
| Decrease in inventories | - | 1,330,107 |
| Increase in prepayments | (2,598) | (15,278) |
| Decrease in current tax assets | - | 373,842 |
| Decreased in deferred tax assets | 33,949 | 835,538 |
| Increase / (decrease) in trade and other payables | 45,769 | (2,899,471) |
| Decrease in customer deposit | - | (399,987) |
| Increase / (decrease) in provision for income tax | (47,693) | 65,363 |
| Decrease in deferred tax liabilities | 50,077 | (1,130,211) |
| Increase in other provisions | 43,005 | 10,530 |
| Net cash used in operating activities | <u>(670,713)</u> | <u>(2,335,371)</u> |

Note 33. NON-CURRENT ASSETS - DEFERRED TAX

| | 2022 | 2021 |
|--|-----------------|------------------|
| <i>Deferred tax asset comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Property, plant, and equipment | 3,297 | 1,054 |
| Deferred consideration | - | (20,673) |
| Leases | - | 98,651 |
| Provision for sick leave | 5,862 | - |
| Provision for lieu | 4,698 | - |
| Provision for holiday pay | 16,039 | - |
| Accrued expenses | 3,420 | 1,911 |
| Consulting expenses | 1,543 | 3,103 |
| Legal fees | 47,824 | 24,000 |
| Listing costs | 29,486 | 70,766 |
| | <u>112,169</u> | <u>178,812</u> |
| Amounts recognised in equity: | | |
| Transaction costs on share issue | 32,694 | - |
| | <u>32,694</u> | <u>-</u> |
| Deferred tax asset | <u>144,863</u> | <u>178,812</u> |
| <i>Movements:</i> | | |
| Opening balance | 178,812 | 1,014,350 |
| Charged to profit or loss | <u>(33,949)</u> | <u>(835,538)</u> |
| Closing balance | <u>144,863</u> | <u>178,812</u> |

Note 34. NON-CURRENT LIABILITIES - DEFERRED TAX

| | 2022 | 2021 |
|--|----------------|----------------|
| <i>Deferred tax liability comprises temporary differences attributable to:</i> | | |
| Amounts recognised in profit or loss: | | |
| Property, plant, and equipment | 4,236 | (377) |
| Prepayments | 4,399 | - |
| | <u>8,635</u> | <u>(377)</u> |
| Amounts recognised in equity: | | |
| Revaluation of property, plant and equipment | 163,469 | 117,872 |
| Revaluation of financial assets at fair value through other comprehensive income | 483,555 | 150,518 |
| | <u>647,024</u> | <u>268,390</u> |
| Deferred tax liability | <u>655,659</u> | <u>268,013</u> |
| <i>Movements:</i> | | |
| Opening balance | 268,013 | 1,398,224 |
| Charged/(credited) to profit or loss | 50,077 | (1,280,729) |
| Charged to equity | <u>337,569</u> | <u>150,518</u> |
| Closing balance | <u>655,659</u> | <u>268,013</u> |

Note 35. CONTINGENT ASSETS

The parent entity had no contingent assets as at 30 June 2022 and 30 June 2021.

Note 36. CONTINGENT LIABILITIES

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 37. EVENTS AFTER THE REPORTING PERIOD

Jhon Shen as the beneficial owner of Premier Hospitality Management had agreed to pause the payment of AUD100,000 per month for the period commencing from May 1, 2022, and ending on October 31, 2022. Subsequent to the financial year end, Jhon Shen agreed to not require the repayment of the deferred settlement consideration for at least 12 months following the date of authorisation of this financial report.

The Reserve Bank on New Zealand (RBNZ) increased the Official Cash Rate from 2% to 3% subsequent to the financial year. The increases in the Official Cash Rate could potentially have an adverse effect on the valuation of the land and buildings. The effect of this has not been estimated or quantified as at the date of this report.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Group up to 30 June 2022, 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.

Apart from above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected the Group's operations, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Innlanz Limited
Directors' declaration
30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

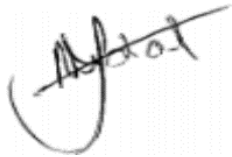
The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors



Dr. Peter French
Chairman
29 September 2022
Sydney



Yeshween Mudaliar
Managing Director
29 September 2022
Sydney

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INDEPENDENT AUDITOR'S REPORT

To the Members of Innlanz Limited

Opinion

We have audited the financial report of Innlanz Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Key Audit Matters

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

| Key Audit Matter | How our audit addressed this matter |
|--|---|
| Asset valuations (Property, plant and equipment) Refer to Note 10 in the financial statements | |
| <p>As at 30 June 2022 the Group held land and building under the revaluation model of \$6,313,131, representing 76% of total assets of the Group.</p> <p>These assets are carried at fair value, assessed by a third-party independent property valuer, using a mixture of capitalisation approach and discounted cashflow approach. Based on the judgmental nature of the inputs used, small differences in inputs could result in materially different resulting valuations.</p> <p>The impact of the COVID-19 pandemic on market conditions has resulted in a greater degree of estimation uncertainty, and a wider range of possible outcomes in determining the value of land and building than would usually be the case.</p> <p>The disclosures in Note 10 the financial statements provide information about the sensitivity analysis of the valuation, the impact of the change in key inputs under capitalisation approach and discounted cashflow approach on the determination of fair value.</p> <p>Because of the subjectivity and complexity involved in such valuations, which has been exacerbated by the COVID-19 pandemic, we have considered the valuation of land and building held under the revaluation model to be a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtaining the property valuation report and performed the following: <ul style="list-style-type: none"> - Obtaining an understanding of the work conducted by the valuer including the purpose of the valuation to determine whether the work performed was considered to be appropriate audit evidence relevant to supporting the carrying value of the property - Evaluating the appropriateness of the valuation methodology applied, and gaining an understanding of the assumptions and estimates used, including how the impact of COVID-19 was incorporated into the methodology - Assessing the qualifications, competence and objectivity of the independent property valuer used by management • Verifying the appropriateness and accuracy of adjustments processed. • Reading and evaluating the financial report disclosures, including those around critical accounting judgements, estimates and assumptions, for accuracy and completeness. • Obtaining management representations in respect of the carrying value of the land and buildings. |

| Key Audit Matter | How our audit addressed this matter |
|---|---|
| Deferred Consideration Refer to Note 14 in the financial statements | |
| <p>As at 30 June 2022, the Group had a deferred consideration payable of \$1,283,446 relating to the acquisition of 100% shares in Ixora Investment Pty Ltd on 30 April 2021. The total deferred consideration was \$2,200,000 at the acquisition and was agreed by both the purchaser Innlanz Limited and the vendor Premier Hospitality Management Pty Ltd to be paid at \$100,000 per month.</p> <p>On 29 April 2022, the payment of \$100,000 per month towards the acquisition was paused for six months commencing 1 May 2022, to 31 October 2022.</p> <p>The deferred consideration is recognised at the acquisition-date fair value. The fair value of the financial liability is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.</p> <p>This is considered a key audit matter given the technical complexity of determining the fair value of this liability and the determination of the most appropriate accounting treatment involves judgement.</p> | <p>Our audit procedure included, among others:</p> <ul style="list-style-type: none"> • Reviewing the share purchase agreement to verify the purchase price, method of payment, and the applicable interest rate. • Obtaining the evidence in relation to the agreement to “pause” the loan repayments the period commencing from May 1, 2022 and ending on October 31, 2022. • Testing the mathematical accuracy of the loan schedule. • Assessing management’s assumptions and valuation methodology in determining the fair value of the deferred consideration, including the discount rate used. • Evaluate the appropriateness of the classification of the loan in the financial statements having consideration of the key terms of the agreement and the requirements of the Australian Accounting Standards. • Assessing the appropriateness of the disclosures included in the Group financial statements. |

| Key Audit Matter | How our audit addressed this matter |
|--|--|
| Borrowings Refer to Note 15 in the financial statements | |
| <p>As at 30 June 2022, the Group has three loan facilities with the Bank of New Zealand and a total borrowing of \$2,389,971.</p> <p>During the year, the Group negotiated for a loan facility of \$2,236,665 with a maturity date in May 2027. The accounting in relation to the refinancing of their borrowings is non-routine and determining the appropriate classification of current and non-current requires management's judgment.</p> <p>This is considered a key audit matter because the significance of the borrowing and fact that the classification requires judgement on the part of management.</p> | <p>Our audit procedure included, among others:</p> <ul style="list-style-type: none"> • Reviewing loan agreements to verify the principal amount, interest rate and maturity date. • Obtaining confirmation from the lender verifying the loan balance at balance date. • Assessing management's classification of the loans between the current and non-current portions based on the repayment terms in the loan agreements. • Obtaining an understanding of the financial covenants attached to the loans and reperforming the calculations to ensure that none of the covenants have been breached as at balance date. • Assessing the appropriateness of the disclosures included in the Group financial statements. |

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of

accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the directors' report for the year ended 30 June 2022.


In our opinion, the Remuneration Report of Innlanz Limited, for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

A stylized blue 'RSM' logo.

RSM Australia Partners

A blue ink signature of G N Sherwood, with the initials 'GNS' written to the right.

G N Sherwood
Partner

Sydney, NSW

Dated: 29 September 2022

Innlanz Limited
Shareholders Information
30 June 2022

Additional Information

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 28 September 2022.

(a) Substantial Holders

Substantial holders in the Company are set out below:

| Ordinary Shares | Fully Paid Shares | Percentage |
|---------------------------------|-------------------|------------|
| Pacific Merchants Group Limited | 250,000,000 | 79.93 |

(b) Distribution of equity securities

(i) Ordinary share capital

313,263,608 fully paid ordinary shares are held by 323 individual shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding are:

| Range | Holders | Fully paid ordinary shares | % Units |
|--------------------|------------|----------------------------|---------------|
| 1-1,000 | 12 | 1,898 | 0.00 |
| 1,001-5,000 | 42 | 114,709 | 0.04 |
| 5,001-10,000 | 88 | 836,534 | 0.27 |
| 10,001-100,000 | 139 | 4,743,274 | 1.51 |
| 100,001 - and over | 42 | 307,567,193 | 98.18 |
| | 323 | 313,263,608 | 100.00 |

(c) Consistency with business objectives (ASX Listing Rule 4.10.19)

The Company states that it has not used cash and assets in a form readily convertible to cash at the time of admission in a way inconsistent with its business objectives.

(d) Twenty largest holders of quoted equity securities

| Ordinary Shareholder | Fully paid | |
|---|--------------------|--------------|
| | Number | Percentage |
| PACIFIC MERCHANTS GROUP LIMITED | 250,000,000 | 79.93 |
| MR QIMING DU | 13,190,811 | 4.22 |
| MR YONGQIANG LU | 10,000,000 | 3.20 |
| MS XIYAO SUN | 10,000,000 | 3.20 |
| AUSSIA PHARMACEUTICALS PTY LTD <YAN FAMILY A/C> | 2,700,000 | 0.86 |
| YUN LIU | 2,536,236 | 0.81 |
| MS MING XU <XU FAMILY A/C> | 2,500,000 | 0.80 |
| WEI LIU | 1,999,910 | 0.64 |
| MR ZHIXIONG LI | 1,997,105 | 0.64 |
| MRS LI CHEN | 1,000,000 | 0.32 |
| LEI WANG | 1,000,000 | 0.32 |
| MS JUN YAN | 1,000,000 | 0.32 |
| WEIQING YE | 1,000,000 | 0.32 |
| MS XIYAO SUN | 950,383 | 0.30 |
| XINJIA CUI | 855,600 | 0.27 |
| MS YI LIU | 764,000 | 0.24 |
| MR TISSA WIJESURIYA | 600,000 | 0.19 |
| YUANBO LIAN | 500,000 | 0.16 |
| MR ELDO NIRAKKALLUNGAL PAPPACHAN + MS RIBY KURIACHAN <N P FAMILY A/C> | 400,000 | 0.13 |
| MR CHUANG WANG | 354,467 | 0.11 |
| | 303,348,512 | 96.99 |

(e) Voting rights

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.

(f) Unquoted equity securities - Nil