

EZZ Life Science Holdings Limited

ACN 608 363 604

Audited financial statements as at 30 June 2021

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For persons

Corporate Directory

| | |
|-----------------------------|---|
| Directors | Philippa Lewis, Non-Executive Chair Luis Rodriguez Bravo, MBA, Chief Executive Officer Qizhou Qin, Chief Operating Officer Ivan Oshry, LLB, Non-Executive Director Hao Hang, Non-Executive Director |
| Company secretary | Natalie Climo, LLB |
| Registered office | 104 Derby Street, Silverwater, NSW 2128, Australia 02 9160 2305 |
| Principle place of business | 104 Derby Street, Silverwater, NSW 2128, Australia |
| Share register | Boardroom Pty Limited Level 12, 225 George Street, Sydney, NSW 2000 1300 737 760 |
| Auditor | Rothsay Audit & Assurance Pty Ltd Level 1, 12-14 O'Connell Street, Sydney, NSW 2000 |
| Stock exchange listing | EZZ Life Science Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: EZZ) |
| Website | www.ezzlife.com.au |

Directors' Report

The directors present their report on EZZ Life Science Holdings Limited (referred to hereafter as the 'Company') for the financial year ended 30 June 2021.

Directors

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

| | |
|----------------------|---|
| Philippa Lewis | (appointed 27 October 2020) |
| Luis Rodriguez Bravo | (appointed 8 July 2020) |
| Qizhou Qin | (appointed 1 September 2019) |
| Ivan Oshry | (appointed 27 October 2020) |
| Hao Huang | (appointed 27 October 2020) |
| Fei Wang | (appointed 9 July 2020, resigned 27 October 2020) |

Company secretary

| | |
|------------------|-----------------------------|
| Ms Natalie Climo | (appointed 27 October 2020) |
|------------------|-----------------------------|

Principal activities

During the financial year the principal activities of the Company included

- formulation, production, marketing and sale of the EZZ branded health supplements to retailers and consumers domestically and internationally, and
- wholesale distribution of the EAORON branded skin care products to retailers in Australia and New Zealand.

Dividends

No dividends were paid during the financial year.

A fully franked final dividend of 0.45 cents per ordinary share to be paid on 16 December 2021, resulting in a total dividend payment of \$189,000 based on the number of ordinary shares on issue, was declared on 24 September 2021.

Review of operations

Revenue increased by 28.7% from \$17,315,191 to \$22,287,078 in the year ended 30 June 2021 due to the full year impact of company owned EZZ branded products offsetting a decrease in revenue from brought-in EAORON branded products.

The sale of EZZ branded products commenced in March 2020 and revenue from these products increased from \$761,510 to \$11,369,044 in the year ended 30 June 2021.

The revenue increase was achieved through the implementation of direct-to-consumer strategies, notably the opening of the Company's online store on Tmall Global in China in July 2020, which generated 43% of total revenue in the year ended 30 June 2021, and the introduction of additional products. At the end of the year ended 30 June 2021 the Company had 14 stock keeping units on sale compared to 3 at the start of the financial year in relation to EZZ.

Revenue from the EAORON branded product fell by 34% from \$16,553,681 to \$10,918,034. The sale of EAORON products is primarily through retail outlets and the impact of COVID-19 on retail trading footfall impacted on overall sales for the year.

In June 2021 the Company announced the expansion of distributional channels with both EZZ and EAORON branded products being stocked in Costco stores in 13 Australian stores and in 14 MINISO stores in Australia.

Directors' Report

Gross profit margin increased from 23% to 56% in the year to 30 June 2021 largely as a result of the change in the sale mix towards EZZ branded products, which have a margin of 82% compared with a gross margin of 29% for Earon branded products. The margin on EAORON branded products also increased from 20% to 29% due to EAORON providing promotions on slow moving products to reduce stock and the Company focusing on selling higher margin EARON products.

Advertising and marketing expenditure increased from \$1,554,278 to \$7,843,387. The increase in expenditure was primarily to support and promote supplement products as part of the direct-to-consumer strategy on the Tmall Global platform in China.

Other overheads increased with additional overhead costs to support the growth of the Company and its operations as a listed company as well as transaction costs expensed in relation to the listing of the company in March 2021.

EBITDA (excluding other income that relates to government subsidies and the reversal of a management fee) increased by 66% from \$1,626,473 in 30 June 2020 to \$2,698,438 in 30 June 2021.

EBITDA (excluding other income that relates to government subsidies and the reversal of a management fee) reconciles to profit for the year as follows:

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | \$ | \$ |
| Profit for the year | 2,030,606 | 1,586,131 |
| Other income | (174,589) | (675,906) |
| Depreciation and amortisation expense | 125,518 | 146,515 |
| Finance expenses | 10,752 | 5,913 |
| Income tax expense | 706,151 | 563,820 |
| EBITDA (excluding other income) | <u>2,698,438</u> | <u>1,626,473</u> |

Earnings per share increased by 13% from 5.29 cents to 5.98 cents.

Despite the improved profitability, operating cash flow fell from \$2,974,385 to \$253,533 in the year ended 30 June 2021, primarily due to supplier invoices for stock purchases outstanding at 30 June 2020 being paid in the current financial year resulting in a \$1,562,504 reduction in trade and other creditors in the current financial year.

The Company is in a strong financial position with cash of \$8,853,644 following the proceeds from the IPO and no external debt other than property lease liabilities.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Matters subsequent to the end of the financial year

COVID-19 continued to impact the markets that the Company serve after the end of the financial year. It caused unforeseen issues and complexity across the supply chain, primarily on the Company's ability to deliver finished goods to consumers in a predictable time frame. The pandemic continued to impact the day-to-day operation of retailers in Australia and New Zealand including pharmacies which represents one of the Company's key distribution channels domestically.

Directors' Report

Likely developments and expected results of operations

The Company's main business growth strategies are:

- To expand the distribution channels in Australia and New Zealand for products to further pharmacies and grocery retailers.
- Implement a direct-to-consumer strategy in Australia and New Zealand by setting up online stores on key e-commerce platforms.
- Expansion of international markets for EZZ products. The main focus in major e-commerce platforms in mainland China and on-line and off-line distribution channels in Hong Kong SAR and Taiwan as well as setting up stores on major e-commerce platforms in South East Asian, North American and European countries.
- Invest in research and development in genomics and precision nutrition research with a focus on longevity, weight management, human papillomavirus, and helicobacter pylori.
- Invest in technology and establish in-house e-commerce capability.

Environmental regulation

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

Information on directors

| | |
|---|---|
| <p>Philippa Lewis Independent non-executive Chair</p> | <p>Ms. Lewis was appointed to the Board as independent non-executive Chair in October 2020.</p> <p>Ms. Lewis has over 30 years of experience and demonstrated commercialisation success in the life science and digital health care sector. She has founded multiple companies and rich experience in capital market transactions both in Australia and internationally.</p> <p>Ms. Lewis is a member of the Australian Institute of Company Directors and the Institute of Arbitration and Mediation and has completed both the directors and chair course.</p> <p>Board committee membership</p> <ul style="list-style-type: none">• Member of Audit and Risk Committee• Member of Nomination, Remuneration and Human Resources Committee <p>Directorship of listed entities within the past three years</p> <p>Nil</p> |
|---|---|

Directors' Report

| | |
|---|--|
| <p>Luis Rodriguez Bravo Chief Executive Officer and Executive Director</p> | <p>Mr. Rodriguez Bravo joined the Company in 2018 and was appointed as the Chief Executive Officer and an executive director in July 2020.</p> <p>Mr. Rodriguez Bravo has over 20 years of senior leadership experience across a number of industries including skin care and health supplements segments, both domestically and internationally. Under the leadership of Mr Rodriguez Bravo, the Company has entered into distribution contracts with major pharmaceutical groups and key customers.</p> <p>Mr. Rodriguez Bravo holds a Master of Business Administration from Federation University Australia and a Bachelor of International Commerce from Monterrey Institute of Technology and Higher Education.</p> <p>Board committee membership Nil</p> <p>Directorship of listed entities within the past three years Nil</p> |
| <p>Qizhou Qin Chief Operating Officer and Executive Director</p> | <p>Mr. Qin co-founded the Company and was appointed to the Board as an executive director in September 2019.</p> <p>Mr. Qin is a business entrepreneur with a track record of success in the skin care and health supplements industries. He has a strong background in management consulting and extensive experience in sales and marketing. Prior to co-founding the Company in 2018, he co-founded a multi award winning marketing consulting firm, CE International, which was rated as one of the “Top 10 Consulting Firms in China” in 2010. Prior to that, he was personally awarded as the “Top Research Analyst” by the Sales and Marketing Magazine in 2006. Mr. Qin also authored five books in sales and marketing for the consumer health industry between 2003 and 2008.</p> <p>Mr. Qin holds a Bachelor of Human Resource Management from the Beijing Wuzi University.</p> <p>Board committee membership Nil</p> <p>Directorship of listed entities within the past three years Nil</p> |
| <p>Ivan Oshry Non-executive Director</p> | <p>Mr. Oshry was appointed to the Board as a non-executive director in October 2020 and also serves as Chair of the Audit and Risk Committee.</p> <p>Mr. Oshry has more than 30 years of experience of legal practice in Australia and internationally, specialising in commercial and corporate law. Mr. Oshry was formerly a senior partner at Fluxmans Attorneys in Johannesburg and headed up the corporate department at Kemp Strang (which has since merged with Thomson Geer) in Sydney.</p> <p>Mr. Oshry holds a Bachelor of Arts and LLB degree from the University of Natal.</p> <p>Board committee membership</p> <ul style="list-style-type: none"> • Chair of Audit and Risk Committee • Member of Nomination, Remuneration and Human Resources Committee <p>Directorship of listed entities within the past three years</p> <ul style="list-style-type: none"> • Non-executive director of Success Global Media Limited (delisted on 3 February 2020). |

Directors' Report

| | |
|---|--|
| <p>Hao Huang Independent Non-executive Director</p> | <p>Ms. Huang was appointed to the Board as a Non-executive Director in October 2020 and serves as the Chair of Nomination, Remuneration and Human Resource Committee.</p> <p>Ms. Huang has over 20 years of experience in the wealth management and banking industry. She has been working with Citi Group Australia since 2017 as Vice President of the APAC Desk of the Investment Partnerships Division.</p> <p>Ms. Huang holds a bachelor degree in business management from the University of Technology Sydney.</p> <p>Board committee membership</p> <ul style="list-style-type: none"> • Chair of Nomination, Remuneration and Human Resources Committee • Member of Audit and Risk Committee <p>Directorship of listed entities within the past three years</p> <p>Nil</p> |
|---|--|

Meetings of directors

The number of meetings of the Company's Board of directors and of each Board committee held during the financial year ended 30 June 2021, and the number of meetings attended by each director were:

| | Board | | Audit and Risk Committee | | Nomination, Remuneration and Human Resource Committee | |
|------------------------|-------|---|--------------------------|---|---|---|
| | A | B | A | B | A | B |
| Phillipa Mary Lewis | 5 | 5 | 2 | 2 | 2 | 1 |
| Luis F Rodriguez Bravo | 5 | 5 | - | - | - | - |
| Qizhou Qin | 5 | 5 | - | - | - | - |
| Ivan Oshry | 5 | 5 | 2 | 2 | 2 | 2 |
| Hao Huang | 5 | 5 | 2 | 2 | 2 | 2 |
| Fei Wang | - | - | - | - | - | - |

A. Number of meetings held during the time the director held office or was a member of the committee during the financial year.

B. Number of meetings attended

Remuneration Report

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its regulations. The remuneration report is audited.

1. Key Management Personnel

Key Management Personnel include the directors and the executive officers of the Company who have authority and responsibility for planning, directing and controlling the activity of the Company. Figure 1 summarises all the key management personnel and their titles as at 30 June 2020.

Figure 1: Key Management Personnel

| Current Key Management Personnel | Position | Time in Role ¹ |
|--|--|------------------------------|
| Non-executive directors | | |
| Philippa Lewis | Non-executive Chair, member of Audit and Risk Committee and Nomination, Remuneration and Human Resources Committee | Appointed on 27 October 2020 |
| Ivan Oshry | Non-Executive Director, Chair of Audit and Risk Committee and member of Nomination, Remuneration and Human Resources Committee | Appointed on 27 October 2020 |
| Hao Huang | Non-Executive Director, member of Audit and Risk Committee and Chair of Nomination, Remuneration and Human Resources Committee | Appointed on 27 October 2020 |
| Executive directors | | |
| Luis Rodriguez Bravo | Executive Director and Chief Executive Officer | Appointed on 8 July 2020 |
| Qizhou Qin | Executive Director and Chief Operating Officer | Full financial year |
| Executive officers | | |
| Brent Goldman | Chief Financial Officer | Appointed on 31 July 2020 |
| Former Key Management Personnel | | |
| Fei Wang | Interim Director | Resigned on 27 October 2020 |

1. Appoint of non-executive directors is subject to shareholder approval by 2021 Annual General Meeting to be valid.

Remuneration Report

2. Remuneration Governance

Role of the Board

The Board is responsible for setting remuneration policy and determining non-executive director and executive Key Management Personnel remuneration.

Executive Key Management Personnel remuneration is reviewed annually against suitable benchmarks to ensure that the remuneration level and mix remain competitive and appropriate. The Board is responsible for approving all targets and performance conditions set under the executive Key Management Personnel variable remuneration framework.

Each year the non-executive director fees including committee chair and member fees, as applicable, are benchmarked against companies in a comparable industry and of a comparable size listed on the Australian Securities Exchange, and are approved by the Board.

The Board delegates responsibility to the Nomination, Remuneration and Human Resource Committee for review and making recommendations to the Board. The Board retains full discretion to change outcomes as it considers appropriate to ensure they are fair and appropriate.

Role of the Nomination, Remuneration and Human Resource Committee

The Nomination, Remuneration and Human Resource Committee makes recommendations to the Board in relation to executive Key Management Personnel remuneration. It is made up of independent non-executive directors. The responsibilities of the Nomination, Remuneration and Human Resource Committee are set out in the Committee's charter, which is available on the Company's website at www.ezzlife.com.au.

The Chief Executive Officer provides and makes recommendations to the Nomination, Remuneration and Human Resource Committee on matters included in the Chief Executive Officer's report throughout the year. Additional information is sought from the Company's management team and advisers, as required, to assist with the decision making process.

Use of Advisers

The Nomination, Remuneration and Human Resource Committee obtains specialist external advice about remuneration strategies from time to time. The advice is used to support its assessment of the market to ensure that Key Management Personnel are being rewarded appropriately.

For the period ending 30 June 2021, the Committee engaged Platinum Gate to provide advice on Key Management Personnel remuneration benchmarking. The Board was satisfied that the advice received was free from any undue influence by Key Management Personnel to whom the advice may relate. The fee paid for the service in the period was \$3,750.

3. Executive Key Management Personnel Remuneration

3.1 Fixed remuneration

Fixed remuneration comprises salary, superannuation guarantee contribution and other benefits.

Fixed remuneration of executive management personnel is based on the executive management personnel's qualifications, skills, experience and role responsibility. It is benchmarked to external peers and its levels vary between the executive Key Management Personnel.

Fixed remuneration is reviewed annually or on promotion. It is not varied by reference to inflation or indexation as a matter of course. There were no changes to executive management personnel's fixed remuneration during the period.

Remuneration Report

3.2 Statutory Executive Key Management Personnel Remuneration

Figure 7 details remuneration received by executive Key Management Personnel during the financial year ended 30 June 2021 based on the requirements of the Corporations Act 2001 and accounting standards

Figure 7: Statutory executive Key Management Personnel remuneration

| | Fixed Remuneration | | | | | | | Variable Remuneration | | Total | Performance related |
|---|----------------------------|-----------------------|-------|-------|-----------------------------|--------------------------------|----------------------|-----------------------|--------------------|---------|---------------------|
| | Salary / Fees ¹ | Non-monetary benefits | Leave | Other | Superannuation ² | Other Post-employment benefits | Termination benefits | Cash bonus | Performance rights | | |
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (%) |
| Current executive Key Management Personnel | | | | | | | | | | | |
| Luis Rodriguez Bravo | | | | | | | | | | | |
| 2021 | 115,385 | - | - | - | 10,962 | - | - | - | - | 126,347 | - |
| 2020 | 120,000 | - | - | - | 11,400 | - | - | - | - | 131,400 | - |
| Qizhou Qin | | | | | | | | | | | |
| 2021 | 120,000 | - | - | - | 11,400 | - | - | - | - | 131,400 | - |
| 2020 | 150,000 | - | - | - | 14,250 | - | - | - | - | 164,250 | - |
| Brent Goldman | | | | | | | | | | | |
| 2021 | 22,612 | - | - | - | - | - | - | - | - | 22,612 | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - |
| Total | | | | | | | | | | | |
| 2021 | 257,997 | - | - | - | 22,362 | - | - | - | - | 280,359 | - |
| 2020 | 270,000 | - | - | - | 25,650 | - | - | - | - | 326,846 | - |
| Former executive Key Management Personnel | | | | | | | | | | | |
| Fei Wang | | | | | | | | | | | |
| 2021 | - | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - | - |

¹ Salary and fees includes movement in the annual leave provision relating to the Key Management Personnel. Salary for Mr. Luis Rodriguez Bravo in 2020 was included in the management fee paid to Australian Health Industry Co. Pty Ltd. Salary for Mr. Qizhou Qin in 2020 was included in the management fee paid to Australian United Pharmaceuticals Pty Ltd.

² Superannuation for Mr. Luis Rodriguez Bravo in 2020 was included in the management fee paid to Australian Health Industry Co. Pty Ltd. Superannuation for Mr. Qizhou Qin in 2020 was included in the management fee paid to Australian United Pharmaceuticals Pty Ltd.

Remuneration Report

3.3 Equity instruments held by Executive Key Management Personnel

Figure 8 summaries the number of ordinary shares held directly, indirectly or beneficially by current and former executive Key Management Personnel including related parties

Figure 8: Executive Key Management Personnel ordinary share ownership

| | Opening balance | Exercise of performance rights | Restricted share plan | Appointment /cessation | Purchased on-market | Share Disposals | Ending balance |
|---|-----------------|--------------------------------|-----------------------|------------------------|---------------------|-----------------|----------------|
| Current executive Key Management Personnel | | | | | | | |
| Luis Rodriguez Bravo | 3,600 | - | - | - | - | - | 3,600 |
| Qizhou Qin | 11,344,000 | - | - | - | - | - | 11,344,000 |
| Former executive Key Management Personnel | | | | | | | |
| Fei Wang | - | - | - | - | - | - | - |

3.4 Contractual Arrangement with Executive Key Management Personnel

Remuneration and other terms of employment for executive Key Management Personnel are included in employment agreements. Each agreement sets out details of base salary, superannuation, benefits and performance based incentives. Key provisions of the employment agreements relevant to remuneration for executive management personnel are set out as follows.

Figure 9: Executive Key Management Personnel employment agreement

| Executive Management Personnel | Fixed Remuneration (\$)¹ | Term | Notice period |
|--------------------------------|--------------------------|---------|---------------|
| Chief Executive Officer | 131,400 | Ongoing | 3 months |
| Chief Operation Officer | 125,925 | Ongoing | 3 months |
| Chief Financial Officer ² | NA² | Ongoing | 2 weeks |

¹ Fixed remuneration includes salary and superannuation.

² Remuneration is based on a fixed hourly rate

4. Non-executive Director Remuneration

4.1 Non-executive director arrangement

Non-executive directors may receive fixed annual fees comprising a board Fee, committee chair fee and committee fee as applicable. Non-executive directors may direct the Company to make superannuation guarantee contributions, or additional superannuation contributions allocated from their non-executive directors or committee member fees, to any complying nominated superannuation fund.

Fees payable to non-executive directors is determined by the Board within an aggregate non-executive directors' fee pool limit which is periodically recommended for approval by the shareholders.

The aggregate non-executive directors' fee pool was last considered by shareholders in a shareholder meeting on 27 November 2020. An aggregate fee pool of \$249,000 was approved by shareholders and remained unchanged.

Remuneration Report

The Chair and other non-executive directors do not receive additional fees for their membership of the Board's Audit and Risk Management Committee or Nomination, Remuneration and Human Resource Committee.

Figure 10: Non-executive director fees and other benefits

| | Financial Year | Chair (\$)¹ | Member (\$)² |
|-------|----------------|-------------|--------------|
| Board | 2021 | 98,000 | 68,000 |

¹ Non-executive directors fees paid to Chair includes superannuation

² Non-executive directors fees paid to members includes superannuation

4.2 Non-executive director remuneration

Figure 11 summarise the remuneration of non-executive directors for the financial year ended 30 June 2021.

Figure 11: Statutory non-executive director remuneration

| | Fixed Remuneration | | | | | | Variable Remuneration | | Total |
|--|--------------------|---------------|-----------------------|-----------------|--------------------------------|----------------|-----------------------|----------------------|--------|
| | Salary / Fees | Committee Fee | Non-monetary benefits | Super-annuation | Other Post-employment benefits | Other benefits | Cash bonus | Share based payments | |
| | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Current non-executive directors | | | | | | | | | |
| Philippa Lewis | | | | | | | | | |
| 2021 | 54,340 | - | - | 5,163 | - | - | - | - | 59,503 |
| 2020 | - | - | - | - | - | - | - | - | - |
| Ivan Oshry | | | | | | | | | |
| 2021 | 25,405 | - | - | 2,413 | - | - | - | - | 27,818 |
| 2022 | - | - | - | - | - | - | - | - | - |
| Hao Huang | | | | | | | | | |
| 2021 | 25,828 | - | - | 2,454 | - | - | - | - | 28,282 |
| 2020 | - | - | - | - | - | - | - | - | - |

Remuneration Report

4.3 Equity instruments held by non-executive director share ownership

Figure 12 summarise the number of shares held directly, indirectly or beneficially by no-executive directors and former directors including their related parties.

Figure 12: Non-executive director ordinary share ownership

| | Opening balance | Appointment /Cessation | Purchased on-market | Share Disposals | Ending balance |
|--|-----------------|------------------------|---------------------|-----------------|----------------|
| Current non-executive directors | | | | | |
| Philippa Lewis | 40,000 | - | - | - | 40,000 |
| Ivan Oshry | 10,000 | - | - | - | 10,000 |
| Hao Huang | - | - | - | - | - |

5. Further Information on Remuneration

5.1 Other transactions with Key Management Personnel

The Company entered into an agreement with Due Books Pty Ltd during the financial year ended 30 June 2021 for legal services. A director, Mr. Ivan Oshry, is a director and a controlling shareholder of Due Books Pty Ltd. The agreement was based on normal commercial terms and conditions. The aggregate amount of the transaction with key management personnel is \$8,840.

There were no loans made during the financial year, or remain unsettled at 30 June 2021, between the Company and its key management personnel and/or their related parties.

5.2 Indemnity and insurance of officers

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

During the financial year, the company paid a premium in respect of a contract to insure the directors and executive officers of the company against a liability to the extent permitted by the Corporations Act 2001.

End of Remuneration Report

Directors' Report

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 20 of the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 as 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 Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of the auditor

There are no officers of the company who are former partners of the auditor.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191 dated 24 March 2016 issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest 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

Rothsay Audit & Assurance Pty Ltd 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.


Luis F Rodriguez Bravo
Executive Director


Philippa Lewis
Non-executive Chair

Sydney, 30 September 2021

ROTHSAY

Audit & Assurance Pty Ltd

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

As lead auditor of EZZ Life Science Holdings Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Rothsay Audit & Assurance Pty Ltd



Daniel Dalla

Director

Sydney, 30 September 2021

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Liability limited by a scheme approved under Professional Standards Legislation



Financial Statements

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For personal use

Statement of Profit and Loss and Other Comprehensive Income

For the year ended 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--|------|------------------|------------------|
| Revenue | 4 | 22,287,078 | 17,315,191 |
| Other income | 4 | 174,589 | 675,906 |
| Cost of sales | | (9,828,267) | (13,288,343) |
| Advertising and marketing expense | | (7,843,387) | (1,554,278) |
| Depreciation and amortisation expense | | (125,518) | (146,515) |
| Employee benefits expense | | (682,118) | (318,286) |
| Finance expenses | | (10,752) | (5,913) |
| Management fees | | (156,429) | (295,650) |
| Other expenses | | (1,078,439) | (232,161) |
| Profit before income tax | | 2,736,757 | 2,149,951 |
| Income tax expense | 5 | (706,151) | (563,820) |
| Profit for the year | | 2,030,606 | 1,586,131 |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 2,030,606 | 1,586,131 |
| Earnings per share | | Cents | Cents |
| Basic earnings per share | 7 | 5.98 | 5.29 |
| Diluted earnings per share | 7 | 5.98 | 5.29 |

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2021

| | Note | 2021 \$ | 2020 \$ |
|--------------------------------------|------|-------------------|------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 8,853,644 | 3,174,826 |
| Trade and other receivables | 9 | 2,188,788 | 2,534,868 |
| Inventories | | 271,611 | 32,810 |
| Other assets | | 419,996 | 340,545 |
| TOTAL CURRENT ASSETS | | 11,734,039 | 6,083,049 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 10 | 131,598 | 96,594 |
| Intangible assets | | 11,348 | 1,198 |
| Deferred tax assets | 11 | 161,687 | 4,169 |
| TOTAL NON-CURRENT ASSETS | | 304,633 | 101,961 |
| TOTAL ASSETS | | 12,038,672 | 6,185,010 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 1,638,200 | 3,200,704 |
| Current tax liabilities | 11 | 180,102 | 528,655 |
| Lease liabilities | 13 | 79,012 | 31,723 |
| Employee entitlements | 14 | 32,262 | 13,887 |
| TOTAL CURRENT LIABILITIES | | 1,929,576 | 3,774,969 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | 11 | 1,330 | - |
| TOTAL NON-CURRENT LIABILITIES | | 1,330 | - |
| TOTAL LIABILITIES | | 1,930,906 | 3,774,969 |
| NET ASSETS | | 10,107,766 | 2,410,041 |
| EQUITY | | | |
| Issued capital | 15 | 5,667,219 | 100 |
| Retained earnings | | 4,440,547 | 2,409,941 |
| TOTAL EQUITY | | 10,107,766 | 2,410,041 |

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2021

| | 2021 | 2020 |
|--|--------------------|--------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 23,846,355 | 19,585,746 |
| Receipts from Government incentives | 174,589 | - |
| Payments to suppliers and employees | (22,662,725) | (16,218,440) |
| Interest paid | (10,752) | - |
| Income tax paid | (1,093,934) | (392,921) |
| Net cash provided by/(used in) operating activities | 22 253,533 | 2,974,385 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payment for intangible assets | (10,150) | (1,198) |
| Purchase of plant and equipment | (5,967) | (90,000) |
| Net cash provided by/(used in) investing activities | (16,117) | (91,198) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payment of lease liabilities | (107,265) | (122,247) |
| Proceeds from issuing shares | 6,000,000 | - |
| Share issue transaction costs | (449,839) | - |
| Net cash provided by/(used in) financing activities | 5,442,896 | (122,247) |
| Net increase/(decrease) in cash and cash equivalents held | 5,680,312 | 2,760,940 |
| Effects of movements in forex | (1,494) | - |
| Cash and cash equivalents at the beginning of financial year | 3,174,826 | 413,886 |
| Cash and cash equivalents at the end of financial year | 8 8,853,644 | 3,174,826 |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2021

2021

| | Issued Capital | Retained Earnings | Total |
|---|-------------------|----------------------|-------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2020 | 100 | 2,409,941 | 2,410,041 |
| Profit for the year | - | 2,030,606 | 2,030,606 |
| Other comprehensive gain/(loss) for the year | - | - | - |
| Capital contribution from IPO, net of transaction costs | 5,667,119 | - | 5,667,119 |
| Balance at 30 June 2021 | 5,667,219 | 4,440,547 | 10,107,766 |

2020

| | Issued Capital | Retained Earnings | Total |
|--------------------------------|-------------------|----------------------|------------------|
| | \$ | \$ | \$ |
| Balance at 1 July 2019 | 100 | 823,810 | 823,910 |
| Profit for the year | - | 1,586,131 | 1,586,131 |
| Balance at 30 June 2020 | 100 | 2,409,941 | 2,410,041 |

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2021

The financial report covers EZZ Life Science Holdings Limited ("the Company") as an individual entity. EZZ Life Science Holdings Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of EZZ Life Science Holdings Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 30 September 2021.

Comparatives are consistent with prior years, unless otherwise stated.

1 Basis of Preparation

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

2 Summary of Significant Accounting Policies

(a) Revenue and other income

Revenue from contracts with customers

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Generally, the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

The revenue recognition policies for the principal revenue stream related to sales of goods are that revenue is recognised on acceptance of the goods by the customer.

(b) Income Tax

The tax expense recognised in profit or loss comprises current income tax expense plus deferred tax expense.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements

For the year ended 30 June 2021

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(c) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(d) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(e) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs.

Financial assets

On initial recognition, the Company classifies its financial assets at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less allowance for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss ("ECL") basis.

Notes to the Financial Statements

For the year ended 30 June 2021

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables and contract assets

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade and other payables.

(f) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

Plant and equipment

Plant and equipment are measured using the cost model.

Notes to the Financial Statements

For the year ended 30 June 2021

Depreciation

Plant and equipment is depreciated on a reducing balance basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

| Fixed asset class | Depreciation rate |
|--------------------|-------------------|
| Motor Vehicles | 25% |
| Computer Equipment | 67% |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(g) Impairment of non-financial assets

At the end of each reporting period the Company determines whether there is any evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit ("CGU") is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(h) Leases

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Notes to the Financial Statements

For the year ended 30 June 2021

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(i) Employee entitlements

A liability is recognised for the Company's liability for employee entitlements arising from services rendered by employees to the end of the reporting period.

Where the Company does not have the right to defer settlement of the liability it has been recorded as a current liability. Where settlement is able to be deferred for a period of greater than one year, the liability is recorded as non-current.

Defined contribution superannuation schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(k) Foreign currency transactions and balances

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income.

3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

Notes to the Financial Statements

For the year ended 30 June 2021

The significant estimates and judgements made have been described below.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment allowance is included for any receivable where the balance is not considered collectible. The impairment allowance is based on the best information at the reporting date.

4 Revenue and Other Income

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Revenue | | |
| - sale of goods – recognised at a point in time | 22,287,078 | 17,315,191 |
| | <u>22,287,078</u> | <u>17,315,191</u> |

| | 2021 | 2020 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Other Income | | |
| - Reversal of management fee | - | 653,766 |
| - Government subsidy | 174,589 | 22,140 |
| | <u>174,589</u> | <u>675,906</u> |

5 Income Tax Expense

(a) The major components of tax expense (income) comprise:

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Current tax expense | 749,820 | 566,846 |
| Deferred tax expense relating to temporary differences | (162,920) | (3,026) |
| Deferred tax expense resulting from reduction in tax rate | 6,732 | - |
| Income tax expense relating to IPO costs directly in equity | 116,958 | - |
| Over provision for income tax in prior year | (4,439) | - |
| Total income tax expense | <u><u>706,151</u></u> | <u><u>563,820</u></u> |

Notes to the Financial Statements

For the year ended 30 June 2021

5 (b) Reconciliation of income tax to accounting profit:

| | 2021 | 2020 |
|---|----------------|----------------|
| | \$ | \$ |
| Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%) | 711,557 | 591,237 |
| Tax effect of: | | |
| - non-deductible depreciation and amortisation | 1,520 | 2,145 |
| - other non-deductible expenses | 699 | - |
| - non-assessable income | (9,918) | - |
| - over provision for income tax in prior year | (4,439) | (29,562) |
| - rise in opening deferred taxes resulting from reduction in tax rate | 6,732 | - |
| Income tax expense | 706,151 | 563,820 |

6 Operating Segments

(a) Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

Operating segments are determined on the basis of financial information reported to the Directors which is revenue and gross profit for Brought in Lines and Company Owned products

Therefore, management identified the Company as having two reportable segments. The financial results from these reportable segments are equivalent to the financial statements of the Company as a whole. Geographical sales information is disclosed below to assist in the understanding of the Company.

(b) Accounting policies adopted

All amounts reported to the Directors are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Company.

(c) Segment assets

Assets of the Company are maintained in Australia.

(d) Segment liabilities

Liabilities are generally considered to relate to the Company as a whole and are not allocated.

Notes to the Financial Statements

For the year ended 30 June 2021

(e) Segment Revenues

Revenue is segmented between brought in lines and Company owned products as follows:

| | Brought in Lines | | Company Owned | | Total | |
|---------------|--------------------|--------------|--------------------|----------|--------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | 10,918,034 | 16,553,681 | 11,369,044 | 761,510 | 22,287,078 | 17,315,191 |
| Cost of Sales | (7,798,812) | (13,188,378) | (2,029,455) | (99,965) | (9,828,267) | (13,288,343) |
| Total | 3,119,222 | 3,365,303 | 9,339,589 | 661,545 | 12,458,811 | 4,026,848 |

(f) Geographical information

The company established an online store on Tmall Global's e-commerce platform in China during the year. Sales through Tmall Global represented 43% of the company's total revenue in the year.

| | Revenue | |
|---------------------------|-------------------|------------|
| | 2021 | 2020 |
| | \$ | \$ |
| Australia and New Zealand | 12,006,707 | 14,908,037 |
| Mainland China | 10,130,032 | 2,383,373 |
| Other countries/regions | 150,339 | 23,781 |
| Total | 22,287,078 | 17,315,191 |

Notes to the Financial Statements

For the year ended 30 June 2021

7 Earnings Per Share

| | 2021 \$ | 2020 \$ |
|------------------------------------|------------|------------|
| Basic earnings per share (cents) | 5.98 | 5.29 |
| Diluted earnings per share (cents) | 5.98 | 5.29 |

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

| | | |
|---|-----------|-----------|
| Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company | 2,030,606 | 1,586,131 |
| Earnings for the purpose of diluted earnings per share | 2,030,606 | 1,586,131 |

Number of shares

| | | |
|--|------------|------------|
| Weighted average number of shares used in calculating basic earnings per share | 33,945,205 | 30,000,000 |
| Weighted average number of shares used in calculating diluted earnings per share | 33,945,205 | 30,000,000 |

8 Cash and Cash Equivalents

| | 2021 \$ | 2020 \$ |
|--------------------------|------------------|------------------|
| Cash at bank and in hand | 8,853,644 | 3,174,826 |
| | <u>8,853,644</u> | <u>3,174,826</u> |

9 Trade and Other Receivables

| | 2021 \$ | 2020 \$ |
|-------------------|------------------|------------------|
| CURRENT | | |
| Trade receivables | 2,047,618 | 2,339,092 |
| Other receivables | 141,170 | 195,776 |
| | <u>2,188,788</u> | <u>2,534,868</u> |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Notes to the Financial Statements

For the year ended 30 June 2021

10 Plant and Equipment

| | 2021 | 2020 |
|--------------------------|-----------------------|----------------------|
| | \$ | \$ |
| Motor vehicles | | |
| At cost | 90,000 | 90,000 |
| Accumulated depreciation | (41,282) | (25,043) |
| Total motor vehicles | <u>48,718</u> | <u>64,957</u> |
| Computer equipment | | |
| At cost | 8,510 | 2,543 |
| Accumulated depreciation | (2,909) | (1,700) |
| Total computer equipment | <u>5,601</u> | <u>843</u> |
| Right-of-Use | | |
| At cost | 154,555 | 153,970 |
| Accumulated depreciation | (77,276) | (123,176) |
| Total right-of-use | <u>77,279</u> | <u>30,794</u> |
| | <u><u>131,598</u></u> | <u><u>96,594</u></u> |

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | Motor Vehicles | Computer Equipment | Right-of-Us e | Total |
|---------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Year ended 30 June 2021 | | | | |
| Balance at the beginning of the year | 64,957 | 843 | 30,794 | 96,594 |
| Additions | - | 5,967 | 154,555 | 160,522 |
| Depreciation | (16,239) | (1,209) | (108,070) | (125,518) |
| Balance at the end of the year | <u><u>48,718</u></u> | <u><u>5,601</u></u> | <u><u>77,279</u></u> | <u><u>131,598</u></u> |

Notes to the Financial Statements

For the year ended 30 June 2021

11 Tax Assets and Liabilities

| | 2021 | 2020 |
|--------------------|----------------|----------------|
| | \$ | \$ |
| Income tax payable | 180,102 | 528,655 |
| | <u>180,102</u> | <u>528,655</u> |

| | Opening Balance | Credited / (charged) to Income | Closing Balance |
|--|---------------------|--------------------------------------|-----------------------|
| | \$ | \$ | \$ |
| Deferred tax assets | | | |
| Components of deferred tax assets are: | | | |
| Provision for annual leave | 4,169 | 617 | 4,786 |
| IPO transaction costs | - | 155,028 | 155,028 |
| Accrued audit fee | - | 3,900 | 3,900 |
| Unrealised foreign exchange loss | - | 388 | 388 |
| Superannuation payable | - | 4,161 | 4,161 |
| Net impact of accounting for operating lease | - | 451 | 451 |
| Effect of tax rate change | - | (7,027) | (7,027) |
| Balance at 30 June 2021 | <u>4,169</u> | <u>157,518</u> | <u>161,687</u> |

Deferred tax liabilities

Components of deferred tax liabilities are:

| | | | |
|--------------------------------|-----------------|---------------------|---------------------|
| Depreciation | - | 1,383 | 1,383 |
| Effect of tax rate change | - | (53) | (53) |
| Balance at 30 June 2021 | <u>-</u> | <u>1,330</u> | <u>1,330</u> |

Notes to the Financial Statements

For the year ended 30 June 2021

12 Trade and Other Payables

| | 2021 | 2020 |
|---|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Trade payables - non-related parties | 473,359 | 686,794 |
| Trade payable to related entity - Australian United Pharmaceuticals Pty Ltd | 1,116,121 | 2,065,936 |
| Trade payable to related entity - Australian Health Industry Co. Pty Ltd | - | 436,970 |
| Other payables | 48,720 | 11,004 |
| | 1,638,200 | 3,200,704 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

Notes to the Financial Statements

For the year ended 30 June 2021

13 Leases

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

| | 2021 \$ | 2020 \$ |
|---------------------------------------|----------------|----------------|
| Interest expense on lease liabilities | 5,774 | 5,913 |
| Depreciation of right-of-use assets | 108,070 | 123,176 |
| | <u>113,844</u> | <u>129,089</u> |

Statement of Cash Flows

| | 2021 \$ | 2020 \$ |
|-------------------------------|------------|------------|
| Total cash outflow for leases | 113,040 | 122,247 |

Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| | < 1 year \$ | 1 - 5 years \$ | > 5 years \$ | Total undiscounted lease liabilities \$ | Lease liabilities included in this Statement Of Financial Position \$ |
|-------------------|----------------|-------------------|-----------------|--|--|
| 2021 | | | | | |
| Lease liabilities | 81,000 | - | - | 81,000 | 79,012 |
| 2020 | | | | | |
| Lease liabilities | 32,040 | - | - | 32,040 | 31,723 |

14 Employee Entitlements

| | 2021 \$ | 2020 \$ |
|----------------------------|---------------|---------------|
| Current liabilities | | |
| Provision for annual leave | 16,259 | 13,887 |
| Superannuation payable | 16,003 | - |
| | <u>32,262</u> | <u>13,887</u> |

Notes to the Financial Statements

For the year ended 30 June 2021

15 Issued Capital

| | 2021 Number of shares | 2021 \$ | 2020 Number of shares | 2020 \$ |
|---|--------------------------|------------------|-----------------------------|------------|
| Ordinary shares fully paid | | | | |
| At the beginning of the year | 100 | 100 | 100 | 100 |
| 100 ordinary shares split to 30,000,000 ordinary shares | 29,999,900 | - | - | - |
| Shares issued through IPO, net of transaction costs | 12,000,000 | 5,667,119 | - | - |
| Total ordinary shares fully paid | 42,000,000 | 5,667,219 | 100 | 100 |

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

(b) Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

16 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

Specific risks

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

Financial instruments used

The principal categories of financial instrument used by the Company are:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables

Notes to the Financial Statements

For the year ended 30 June 2021

Objectives, policies and processes

The Directors have overall responsibility for the establishment of the Company's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk and credit risk.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The day-to-day risk management is carried out by the Company's finance function under policies and objectives which have been approved by the Directors.

The Directors receive monthly reports which provide details of the effectiveness of the processes and policies in place.

Mitigation strategies for specific risks faced are described below:

Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Company maintains cash and marketable securities to meet its liquidity requirements for up to 30-day periods.

The Company manages its liquidity needs by monitoring cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Company expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

Amounts recorded as trade and other payables are expected to be settled in their commercial terms, which is within 3 months.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Credit risk arises from cash and cash equivalents and credit exposure to its customers.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Trade receivables and contract assets

Trade receivables consist of a number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of its customers. This is monitored by management and the Directors on a continual basis.

Management considers that all financial assets at 30 June 2021 are of good credit quality.

On a geographical basis, the Company has significant credit risk exposures in Australia and China given the location of its operations in those regions.

Notes to the Financial Statements

For the year ended 30 June 2021

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, primarily,

- Foreign exchange risk;
- Interest rate risk; and
- Price risk.

The Company does not have any material exposure to the above risks at year end, though the Company makes purchases in currencies other than Australian dollars.

17 Dividends

No dividends were declared or paid during the year.

A fully franked final dividend of 0.45 cents per ordinary share to be paid on 16 December 2021, resulting in a total dividend payment of \$189,000 based on the number of ordinary shares on issue was declared on 24 September 2021.

Franking account

| | 2021 | 2020 |
|--|------------------|---------|
| | \$ | \$ |
| The franking credits available for subsequent financial years at a tax rate of 26% (2020: 27.5%) | 1,666,957 | 693,534 |

The above available balance is based on the dividend franking account at year-end adjusted for:

- Franking credits that will arise from the payment of the current tax liabilities;
- Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

18 Key Management Personnel Remuneration

The totals of remuneration paid to the key management personnel of EZZ Life Science Holdings Limited during the year are as follows.

| | 2021 | 2020 |
|------------------------------|----------------|------|
| | \$ | \$ |
| Short-term employee benefits | 347,885 | - |
| Post-employment benefits | 22,361 | - |
| | 370,246 | - |

Notes to the Financial Statements

For the year ended 30 June 2021

19 Related Parties

(a) The Company's main related parties are as follows:

Key management personnel - refer to Note 18.

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Transactions with related parties

The Company purchases inventory from related entities, Australian United Pharmaceuticals Pty Ltd.

The Company has entered into a service arrangement with related entities Australian United Pharmaceuticals Pty Ltd and Australian Health Industry Co. Pty Ltd. These have ceased on the employment of the key personnel by the Company. In the year ended 30 June 2020 the total service fees recognised were \$295,650. No service fees were paid in the year ended 30 June 2021.

The Company has subleased its premises from a related party, Australian Health Industry Co. Pty Ltd. Australian Health Industry Co. Pty Ltd is party to the master lease with the landlord. The amount paid by the Company under its sublease is based on the same square metre rate of the master lease multiplied by the portion of the premises occupied by the Company. This agreement ceased on 30 September 2020.

The Company has entered into a lease agreement for its current property from a related party, Parramatta Asset Management Pty Ltd.

The Company entered into an agreement with Due Books Pty Ltd during the financial year ended 30 June 2021 for legal services. A director, Mr. Ivan Oshry, is a director and a controlling shareholder of Due Books Pty Ltd. The agreement was based on normal commercial terms and conditions. The aggregate amount of the transaction with key management personnel is \$8,840.

Amounts payable to related parties are disclosed in Note 12 and details of transactions with related parties are summarised below:

| | 2021 | 2020 |
|--|------------------|------------|
| | \$ | \$ |
| Australian United Pharmaceuticals Pty Ltd | | |
| Inventory purchases | 8,424,358 | 13,185,939 |
| Management fees | - | 131,400 |
| Australian Health Industry Co. Pty Ltd | | |
| Management fees | - | 164,250 |
| Premises rent | 32,040 | 128,160 |
| Parramatta Asset Management Pty Ltd | | |
| Premises rent | 81,000 | - |
| Due Books Pty Ltd | | |
| Legal services | 8,840 | - |

Notes to the Financial Statements

For the year ended 30 June 2021

20 Auditors' Remuneration

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$ | \$ |
| Remuneration of the auditor Rothsay Audit & Assurance Pty Ltd, for: | | |
| - auditing or reviewing the financial statements | 25,000 | 13,500 |
| - other assurance services | 10,000 | - |
| Total | 35,000 | 13,500 |

21 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020: None).

22 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

| | 2021 | 2020 |
|--|----------------|------------------|
| | \$ | \$ |
| Profit after income tax | 2,030,606 | 1,586,131 |
| Non-cash flows in profit: | | |
| - depreciation | 125,518 | 146,515 |
| - effects of foreign exchange | 1,494 | - |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | 346,080 | (464,972) |
| - (increase)/decrease in inventories | (238,801) | (32,810) |
| - (increase)/decrease in other assets | (79,451) | - |
| - (increase)/decrease in deferred tax assets | (157,518) | - |
| - increase/(decrease) in trade and other payables | (1,562,504) | 1,558,546 |
| - increase/(decrease) in income taxes | (231,596) | 170,899 |
| - increase/(decrease) in employee entitlements | 18,375 | 10,076 |
| - increase/(decrease) in deferred tax liabilities | 1,330 | - |
| Cashflows from operations | 253,533 | 2,974,385 |

Notes to the Financial Statements

For the financial year ended 30 June 2021

23 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial year.

24 Statutory Information

The registered office and principal place of business of the Company is:

EZZ Life Science Holdings Limited

104 Derby Street

Silverwater NSW 2074

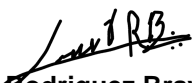
For personal use only

Directors' Declaration

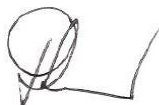
The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position and performance of the Company;
2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. the Chief Executive Officer and Chief Finance Officer have given the declarations required by Section 295A of the *Corporations Act 2001* that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.

This declaration is made in accordance with a resolution of the Directors.



Luis F Rodriguez Bravo
Executive Director



Philippa Lewis
Non-executive Chair

Sydney, 30 September 2021

EZZ LIFE SCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT

To the members of EZZ Life Science Holdings Limited

Opinion

We have audited the financial report of EZZ Life Science Holdings Limited ("the Company"), which comprises the balance sheet as at 30 June 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("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.



EZZ LIFE SCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Capital Raising and Initial Public Offering

During the year the Company undertook a capital raise and an initial public offering on the Australian Securities Exchange.

The Company incurred costs related to the capital raise and the initial public offering process.

Transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Costs that relate to the initial public offering or are not otherwise not incremental and directly attributable to the issuing of new shares are recorded as an expense in profit or loss.

This is considered to be a key audit matter given the judgement required to determine the appropriate split of transaction costs and the complexity of the accounting related to recording the capital raise and associated transaction costs.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our 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.

How our Audit Addressed the Key Audit Matter

We reviewed documentation to support the number of shares issued as part of the initial public offering.

We reviewed the assumptions and calculations related to the allocation of transaction costs between equity and expense.

We assessed whether the disclosures included in the financial report met the requirements of Australian Accounting Standards.



EZZ LIFE SCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

Directors' Responsibility 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



EZZ LIFE SCIENCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT (continued)

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 9 to 14 of the directors' report for the year ended 30 June 2021. 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.

Opinion

In our opinion the Remuneration Report of EZZ Life Science Holdings Limited, for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Rothsay Audit & Assurance Pty Ltd

A handwritten signature in black ink, appearing to read 'Daniel Dalla', written over a faint watermark.

Daniel Dalla
Director

Sydney, 30 September 2021