Releaf Group Limited

ABN 88 642 203 790

Annual Report - 30 June 2021

Directors	Gary Mackenzie Christopher Hansen Scott McDonald
Company secretary	Christopher Hansen
Registered office	Level 2 180 Queen Street Melbourne VIC 3000
Principal place of business	Level 2 180 Queen Street Melbourne VIC 3000
Auditor	Connect National Audit Level 8 350 Collins St Melbourne VIC 3000
Website	www.releafgroupltd.com

Releaf Group Ltd
Level 1, 82 Acland Street
St Kilda VIC 3182
Australia

Private and Confidential

Dated 23/06/2021

As I look back over the past 12 months, a period of profound global change in the cannabis industry alongside an economic downturn with covid and a global pandemic, we are extremely proud at Releaf of the company's growth and achievements in 20/21 in establishing a vertically integrated franchise model in a difficult regulatory and economic environment.

Releaf has gone from strength-to-strength achieving a number of major milestones in the 20/21 year.

Franchise Summary

- Established and completed legal agreements for a Releaf Clinic Franchise and Releaf Dispensary (Pharmacy) Franchise formulating the Releaf Group as APAC's first Cannabis Franchise Group. In the past 12 months the company has developed three key brands that include "Releaf Clinics and Dispensaries", "Releaf Pets' and "Mull Cafe"

Clinics and Dispensaries

- Has two operational clinic sites in St Kilda and Bentleigh
- Has two operational dispensaries (pharmacies) in St Kilda and Bentleigh

- At contract stage with the following for Clinics:
  Queensland - Brisbane, Morayfield, Caloundra, Mooloolaba, Noosa Heads
  South Australia - Adelaide
  Western Australia - Perth
  Victoria - Armadale and Maribyrnong
- At contract stage with the following for Dispensaries (Pharmacies):
  Queensland - Brisbane, Morayfield, Caloundra, Noosa Heads
  South Australia - Adelaide
  Western Australia - Perth
  Victoria - Maribyrnong

Releaf Pets
- Planned build of pioneer site in late 2022

Mull Cafe
- Currently building pioneer site in Acland Street, St Kilda, at Head Office site
- At offer stage for Hastings Street Noosa Heads

Licensing - Mergers and Acquisitions

Releaf Manufacturing (completed)

https://www.australianmanufacturing.com.au/137694/releaf-group-set-to-acquire-medicinal-cannabis-manufacturer-cannoz

- Releaf Cultivation at MOU stage
- Company has also sourced a local flower supply from Murray Meds
  https://www.cannabiz.com.au/murray-meds-inks-supply-deal-with-releaf-dispensaries/
  Successful receipt of Import / Export and DHHC license to sell , supply or wholesale controlled substances

  https://www.medianet.com.au/releases/195012/

International

- Have an established team in London to launch Releaf UK in 2022 as the company's 1st Master Franchise licensed territory.
- Have incorporated in New Zealand with a proposed launch in Auckland in 2022 subject to covid travelling restrictions.

International College of Cannabinoid Medicine (ICCM)

The company has established an International College to assist with the recruitment and training of Medical Practitioners and the science around medicinal cannabis that launched in 2021. The ICCM is led by Prof Kylie O'Brien PhD, an expert in medicinal cannabis and experienced educator who is Director of Research and Education at the ICCM, supported by ICCM's Chief Medical Officer Dr Philip Blair MD, an experienced medicinal cannabis prescriber in the US.

Online subscription based learning platform

The ICCM is an online learning platform for healthcare practitioners focused on medicinal cannabis and its use in the treatment of various clinical conditions. It contains a video library with over 40 videos on a variety of clinical topics, each around 30 minutes in length, with 2-3 new videos added each month. Topics include: the endocannabinoid system, chronic pain, Parkinson's Disease, safety of medicinal cannabis, inflammatory bowel disease, cardiovascular disease, diabetes, anxiety, depression, PTSD and many more. Videos present the scientific evidence for the treatment of various diseases/disorders with medicinal cannabis, with many including case studies. Each video has a 10-question quiz, successful completion of which will generate a certificate of completion which may be used for continuing professional development purposes. The ICCM offers an online 12-module foundation course in medicinal cannabis which will be free for at least the first 6 months of operation. The ICCM also hosts a monthly livestreamed webinar and in the future, a podcast as well as offering online and face-to-face courses in medicinal cannabis.

Expertise

Videos are presented by more than 20 different experts in medicinal cannabis from Australia, UK, US, New Zealand, Argentina and Nepal, with more speakers joining each month. Key presenters include Dr Philip Blair

MD (US), Prof. Kylie O'Brien PhD (Aust), Prof Mike Barnes (neurologist UK), Dr Elisabeth Philipps (neuroscientist, UK), Prof Donald Abrams (US) and many more.

Canacruit
Releaf has established its own recruitment agency to support the Franchise growth cycle to obtain doctors and pharmacists etc. Headed up by ex head of Medical One recruitment, Gabrielle Camilleri.

https://www.medianet.com.au/releases/195348/

Proposed IPO

- The company is still working towards an IPO on the ASX for 2022.

- Current share price 20c on a pre IPO valuation of AU$36,620,600

Yours Faithfully

Gary Mackenzie
CEO and Chairman
Releaf Group Ltd

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Releaf Group 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 2021.

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

Gary Mackenzie (appointed 30 June 2020)
Christopher Hansen (appointed 30 June 2020)
Scott McDonald (appointed 30 June 2020)
Kimble Stynes (appointed 1st March 2021, retired 24th June 2021)
Robert McFarlane (appointed 1st March 2021, retired 24th June 2021)
David Crisci (appointed 1st March 2021, retired 24th June 2021)
Ivan Gomez (appointed 1st March 2021, retired 24th June 2021)

Principal activities
During the financial year the principal continuing activities of the Group consisted of:
- Medicinal Cannabis Prescribing
- Pharmacy & Retail
- Clinical Health Assessments
- Naturopathic Consults
- Clinician Training

Releaf Group Limited is Australia’s first dedicated clinic & dispensary group formed to simplify the consultation process and access to medicine for patients in need offering a fully integrated health care service, incorporating integrative medicine clinics, pharmacies and retail.

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

Review of operations
The loss for the Group after providing for income tax amounted to $3,910,877 (30 June 2020: profit of $nil).

Refer to chairman’s report for further details.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year other than those referred to above or in the Chairman’s Report for further details.

Matters subsequent to the end of the financial year
On 1 July 2021 1,506,000 options were granted to employees under the ESOP. These options had an exercise price of $0.30 and expiry date of 1 July 2024.

On 1 August 2021 207,142 options were granted to third parties in recognition of services rendered. These options had an exercise price of $0.22 and expiry date of 1 August 2024.

On 17 August 2021 1,450,000 options were granted to employees under the ESOP. These options had an exercise price of $0.30 and expiry date of 17 August 2024.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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.

Shares under option
Unissued ordinary shares under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price $	Number under option
16/12/2020	18/11/2023	$0.20	5,700,000
15/04/2021	12/04/2024	$0.20	450,000
01/07/2021	01/07/2024	$0.30	1,506,000
01/08/2021	01/08/2024	$0.22	207,142
17/08/2021	17/08/2024	$0.30	1,450,000
			9,313,142

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Up to the date of this report, there were no shares issued upon the exercise of options granted.

Shares issued on the exercise of options
There were no ordinary shares of Releaf Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

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

Information on Directors

Name:	Gary Mackenzie
Title:	Chief Executive Officer
Experience and expertise:	Gary is a successful Entrepreneur and Marketing Executive with over 25 years corporate experience spanning across the APAC region. Chairman of GDM Ventures that operates 3 funds across new and emerging clean technologies, digital media and medical & enterprise. He is a specialist in business operations and startups, Digital Media, Greentech, Renewable Energy, and Franchising. Strong business network across Asia Pacific region and insight into governments and workings of territories across South East Asia.
Special responsibilities:	Nil

Name:	Christopher Hansen
Title:	Chief Financial Officer and Company Secretary
Experience and expertise:	Chris's background extends to finance and operational roles in commercial property including 12 years as part of the senior management team at Rialto Towers. More recently he has owned, operated and consulted to small business and start-ups providing combined experience of General Management, Property and Asset Management and Finance.
Special responsibilities:	Nil

Name:	Scott McDonald
Title:	Director
Experience and expertise:	Scott is an industry respected and accomplished business sales professional with expertise in working with new start-up companies and transforming existing businesses for the past 25 years in Australia. In recent years he was engaged by Foxtel and Optus from their initial launch and worked with three major companies in the deregulation of the power industry in Australia.
Special responsibilities:	Nil

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each Director were:

	Full Board	
	Attended	Held
Gary Mackenzie	2	2
Christopher Hansen	2	2
Scott MacDonald	2	2
Kimble Stynes	2	2
Robert McFarlane	2	2
David Crisci	2	2
Ivan Gomez	2	2

Held: represents the number of meetings held during the time the Director held office.

During the year there were a further 29 meetings that were held where Directors approval was required by a Minute. These meetings did not require a full and formal Board meeting and therefore did not constitute a Board meeting that included all executive and non-executive directors.

Shareholder meetings
A shareholder meeting was held on 16th November 2020.

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company 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 Company paid a premium in respect of a contract to insure the Directors and executives of the Company 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 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.

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
Connect National Audit Is appointed 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

Gary Mackenzie
Director

4 October 2021

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

As lead auditor for the audit of Releaf Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Releaf Group Limited and controlled entities.

George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
Date: 4 October 2021

General information

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

Releaf Group Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 2
180 Queen Street
Melbourne VIC 3000

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, in accordance with a resolution of Directors, on 4 October 2021. The Directors have the power to amend and reissue the financial statements.

Releaf Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	2020 $
Revenue			
Sales revenue		403,532	-
Cost of goods sold		(343,806)	-
Gross profit		59,726	-
Interest revenue		30	-
Other income		80	-
Rent		133,938	-
Labour & outgoings recovery		32,706	-
Sale of franchise		309,567	-
Total revenue		879,853	-
Expenses			
Accounting, audit, legal and taxation expenses		(313,461)	-
Employee benefits expense		(1,452,421)	-
Depreciation and amortisation expense		(250,105)	-
Insurance		(6,722)	-
Subscriptions and registrations		(24,303)	-
Business development expenses		(1,001,245)	-
Recruitment and training		(12,855)	-
Marketing		(164,037)	-
Travel		(51,025)	-
Consulting fees		(189,655)	-
Other expenses		(39,059)	-
Occupancy		(45,482)	-
Share based payments	25	(786,138)	-
IPO expenses		(44,677)	-
Finance costs		(65,739)	-
Total expenses		(4,446,924)	-
Loss before income tax expense		(3,910,877)	-
Income tax expense	4	-	-
Loss after income tax expense for the year		(3,910,877)	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(3,910,877)	-
		Cents	**Cents**
Basic earnings per share	24	(2.47)	-
Diluted earnings per share	24	(2.47)	-

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

Releaf Group Limited
Statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents	5	753,578	2,000
Trade and other receivables	6	181,611	-
Other	8	159,880	-
Total current assets		1,095,069	2,000
Non-current assets			
Property, plant and equipment	9	233,662	-
Right-of-use assets	7	3,428,669	-
Intangibles	10	12,999	-
Total non-current assets		3,675,330	-
Total assets		4,770,399	2,000
Liabilities			
Current liabilities			
Trade and other payables	11	484,956	-
Lease liabilities	12	237,077	-
Employee benefits	13	55,162	-
Total current liabilities		777,195	-
Non-current liabilities			
Lease liabilities	12	3,296,343	-
Total non-current liabilities		3,296,343	-
Total liabilities		4,073,538	-
Net assets		696,861	2,000
Equity			
Issued capital	14	4,351,600	2,000
Reserves		256,138	-
Accumulated losses		(3,910,877)	-
Total equity		696,861	2,000

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

Releaf Group Limited
Statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Share-based payment reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	-	-	-	-	-
Profit after income tax expense for the year	-	-	-	-	-
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 14)	2,000	-	-	-	2,000
Balance at 30 June 2020	2,000	-	-	-	2,000

Consolidated	Issued capital $	Share-based payment reserve $	Retained profits $	Non-controlling interest $	Total equity $
Balance at 1 July 2020	2,000	-	-	-	2,000
Loss after income tax expense for the year	-	-	(3,910,877)	-	(3,910,877)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(3,910,877)	-	(3,910,877)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 14)	3,302,000	-	-	-	3,302,000
Shares issued for group re-organisation (note 20)	590,000	-	-	-	590,000
Share-based payments (note 25)	546,800	256,138	-	-	802,938
Capital raising costs	(89,200)	-	-	-	(89,200)
Balance at 30 June 2021	4,351,600	256,138	(3,910,877)	-	696,861

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

Releaf Group Limited
Statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		286,274	-
Payments to suppliers and employees		(2,759,508)	-
		(2,473,234)	-
Interest received		30	-
Other revenue		166,724	-
Sale of franchise		309,567	-
Interest and other finance costs paid		(65,739)	-
Net cash used in operating activities	23	(2,062,652)	-
Cash flows from investing activities			
Payments for property, plant and equipment	9	(258,157)	-
Payments for intangibles	10	(12,999)	-
Net cash used in investing activities		(271,156)	-
Cash flows from financing activities			
Proceeds from issue of shares		3,302,000	2,000
Share issue transaction costs		(89,200)	-
Repayment of lease liabilities		(127,414)	-
Net cash from financing activities		3,085,386	2,000
Net increase in cash and cash equivalents		751,578	2,000
Cash and cash equivalents at the beginning of the financial year		2,000	-
Cash and cash equivalents at the end of the financial year	5	753,578	2,000

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the 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.

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 19.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Releaf Group Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Releaf Group Limited and its subsidiaries together are referred to in these financial statements as 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.

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.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 1. Significant accounting policies (continued)

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Property, plant and equipment
Plant and equipment is 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:

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 1. Significant accounting policies (continued)

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.

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.

Intangible assets

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

Formation costs
Costs in relation to the formation of the Group are capitalised as an asset. These costs are not subsequently amortised.

Impairment of non-financial assets

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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 1. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 1. Significant accounting policies (continued)

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.

Issued capital
Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Releaf Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Common Control Transaction
Where the combining entities are ultimately controlled by the same party both before and after the combination, the transaction is outside the scope of AASB 3 Business Combinations. The transaction resulted in the continuation of existing accounting values that would have occurred if the assets and liabilities had already been part of the group. It has been determined that the group re-organisation disclosed in note 20 is a common control transaction as the companies which formed part of the group following the re-organisation are substantially owned by the same shareholders. As a result the accounting treatment has been applied as follows:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;
- no goodwill or other intangible assets are recognised as a result of the transaction; and
- the excess of the fair value of the purchase consideration over the carrying value of the assets and liabilities has been recorded as business development expenditure.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

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 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. 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.

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.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration
Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the Group where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

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

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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.

Impairment of property, plant and equipment
The Group assesses impairment of property, plant and equipment 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.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

Based on the information used for internal reporting purposes by the chief operating decision maker (directors of the Company) the Company operated in one reportable segment during the period.

The reportable segment financial information is therefore the same as the statement of financial position and the statement of profit or loss and other comprehensive income.

Note 4. Income tax

	Consolidated	
	2021	**2020**
	$	**$**
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(3,910,877)	-
Tax at the statutory tax rate of 26%	(1,016,828)	-
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	204,395	-
Business development expenses	260,326	-
	(552,107)	-
Current year tax losses not recognised	552,107	-
Income tax expense	-	-

Note 5. Cash and cash equivalents

	Consolidated 2021 $	Consolidated 2020 $
Current assets		
Cash on hand	2,559	2,000
Cash at bank	751,019	-
	753,578	2,000

Note 6. Trade and other receivables

	Consolidated 2021 $	Consolidated 2020 $
Current assets		
Trade receivables	117,258	-
Other receivables	58,268	-
BAS receivable	6,085	-
	181,611	-

Note 7. Right-of-use assets

	Consolidated 2021 $	Consolidated 2020 $
Non-current assets		
Land and buildings - right-of-use	3,659,054	-
Less: Accumulated depreciation	(230,385)	-
	3,428,669	-

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

Consolidated	Land and buildings $	Total $
Balance at 1 July 2019	-	-
Balance at 30 June 2020	-	-
Additions	3,659,054	3,659,054
Depreciation expense	(230,385)	(230,385)
Balance at 30 June 2021	3,428,669	3,428,669

Note 8. Other

	Consolidated 2021 $	Consolidated 2020 $
Current assets		
Prepayments	43,445	-
Security deposits	116,435	-
	159,880	-

Note 9. Property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Non-current assets		
Leasehold improvements - at cost	174,564	-
Less: Accumulated depreciation	(3,622)	-
	170,942	-
Plant and equipment - at cost	55,813	-
Less: Accumulated depreciation	(10,536)	-
	45,277	-
Office furniture and equipment	21,121	-
Less: Accumulated depreciation	(5,563)	-
	15,558	-
Other fixed assets	6,659	-
Less: Accumulated depreciation	(4,774)	-
	1,885	-
	233,662	-

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

Consolidated	Leasehold improvements $	Property plant and equipment $	Office furniture and equipment $	Other fixed assets $	Total $
Balance at 1 July 2019	-	-	-	-	-
Balance at 30 June 2020	-	-	-	-	-
Additions	20,769	5,000	-	1,885	27,654
Additions through group re-organisation (note 20)	153,795	50,813	21,121	-	225,729
Depreciation expense	(3,622)	(10,536)	(5,563)	-	(19,721)
Balance at 30 June 2021	170,942	45,277	15,558	1,885	233,662

Note 10. Intangibles

	Consolidated 2021 $	2020 $
Non-current assets		
Formation costs	9,212	-
Licences	3,787	-
	12,999	-

Note 11. Trade and other payables

	Consolidated 2021 $	2020 $
Current liabilities		
Trade payables	234,501	-
Accrued expenses	250,455	-
	484,956	-

Refer to note 16 for further information on financial instruments.

Note 12. Lease liabilities

	Consolidated 2021 $	2020 $
Current liabilities		
Lease liability	237,077	-
Non-current liabilities		
Lease liability	3,296,343	-
	3,533,420	-

Refer to note 16 for further information on financial instruments.

Note 13. Employee benefits

	Consolidated 2021 $	2020 $
Current liabilities		
Annual leave	55,162	-

Note 14. Issued capital

	Consolidated 2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	181,778,000	2,000	4,351,600	2,000

Note 14. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2019	-		-
Shares issued	30 June 2020	2,000	$1.00	2,000
Balance	30 June 2020	2,000		2,000
Shares issued to investors	28 August 2020	40	$6,000.00	240,000
Shares issued to investors	28 August 2020	40	$7,000.00	280,000
Shares issued to investors	19 October 2020	6	$6,666.67	40,000
Shares issued to employees (share-based payments)	19 October 2020	30	$7,000.00	210,000
Share split (70,000 for 1)	16 November 2020	148,117,884	$0.00	-
Shares issued to investors	17 November 2020	1,000,000	$0.10	100,000
Shares issued to director related entity for legal expenses (share-based payments)	17 November 2020	1,050,000	$0.10	105,000
Shares issued to supplier for legal fees (share based payments)	17 November 2020	1,750,000	$0.10	175,000
Shares issued to supplier for capital raising costs (share-based payments)	17 November 2020	168,000	$0.10	16,800
Shares issued to investors	4 December 2020	1,000,000	$0.05	50,000
Shares issued to investors	January 2021 (various)	1,500,000	$0.10	150,000
Shares issued to investors	18 February 2021	2,000,000	$0.05	100,000
Shares issued to investors	19 February 2021	3,960,000	$0.10	396,000
Shares issued for group re-organisation (share-based payments refer to note 20 'Group re-organisation')	24 February 2021	5,900,000	$0.10	590,000
Shares issued to investors	10 March 2021	10,800,000	$0.10	1,080,000
Shares issued to investors	26 March 2021	2,355,000	$0.20	471,000
Shares issued to investors	21 April 2021	550,000	$0.20	110,000
Shares issued to investors	May 2021 (various)	875,000	$0.20	175,000
Shares issued to investors	22 June 2021	550,000	$0.20	110,000
Shares issued to employee (share-based payments)	22 June 2021	200,000	$0.20	40,000
Capital raising costs		-	$0.00	(89,200)
Balance	30 June 2021	181,778,000		4,351,600

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 15. Dividends

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

Note 16. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group is not exposed to any significant foreign currency risk.

The Group is not exposed to any significant price risk.

Interest rate risk
The Group is not exposed to any significant interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Note 16. Financial instruments (continued)

Fair value of financial instruments
The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Group are as follows:

Consolidated	**2021** Carrying amount $	**2021** Fair value $	**2020** Carrying amount $	**2020** Fair value $
Assets				
Cash on hand	2,559	2,559	2,000	2,000
Cash at bank	751,019	751,019	-	-
Trade receivables	117,258	117,258	-	-
Other receivables	64,353	64,353	-	-
Security deposits	116,435	116,435	-	-
	1,051,624	1,051,624	2,000	2,000
Liabilities				
Trade payables	234,501	234,501	-	-
Other payables	250,455	230,455	-	-
	484,956	464,956	-	-

Note 17. Key management personnel disclosures

Directors
The following persons were Directors of Releaf Group Limited during the financial year:

Gary Mackenzie
Christopher Hansen
Scott McDonald
Kimble Stynes
Robert McFarlane
David Crisci
Ivan Gomez

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Kylie O'Brien	Chief Scientific Officer
Sylvia Victor	Operations Director
Michael Zikaras	Franchise Director

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

	Consolidated 2021 $	**Consolidated** 2020 $
Short-term employee benefits	795,356	-
Post-employment benefits	75,559	-
Share-based payments	322,091	-
	1,193,006	-

Note 18. Related party transactions

Parent entity
Releaf Group Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 17.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2021	**2020**
	$	**$**
Other income from entities related to former directors:		
Rent received *	90,000	-
Labour and outgoings recovery *	23,932	-
Expense recharges received *	3,502	-
Stock recharges received *	64,098	-
Payment for goods and services from entities related to former directors:		
Payment for advertising and promotional costs **	17,679	-
Payment for recruitment costs **	5,620	-
Payment for capital raising services **	58,200	-
Payment for legal expenses ***	248,658	-
Payment for consulting services from current director related entities (effective 1 September 2020 the Directors transitioned to employee arrangements).		
S&S McDonald Pty Ltd (a related entity of director Mr Scott McDonald).	8,213	-
Torrington Street Pty Ltd (a related entity of director Mr Chris Hansen).	13,578	-
GDM Holdings Limited (a related entity of director Mr Gary Mackenzie).	9,307	-
Other transactions with related parties:		
On 10 July 2020 the Company purchased the assets and liabilities of director related entity, Releaf Medical Cannabis Clinics Pty Ltd, and also the shares in its now wholly owned subsidiary Releaf Training and Education Pty Ltd. Refer to note 20 'Group re-organisation' for further details. (*Current directors Garry Mackenzie and Scott McDonald are also directors of Releaf Medical Cannabis Clinics Pty Ltd.)*	798,757	-

* Revenue items received from Releaf Dispensary (St Kilda) Pty Ltd *(a related entity of former director Mr David Crisci).*
** Services provided by Department of the Future Pty Ltd *(a related entity of former director Mr Ivan Gomez*).
*** Services provided by DSA Law Pty Ltd *(a related entity of former director Mr Kimble Stynes*). This includes share-based payment of $105,000 - refer to note 25 'Share-based payments'.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	**2020**
	$	**$**
Current receivables from Releaf Dispensary (St Kilda) Pty Ltd *(a related entity of former director Mr David Crisci)*:		
Trade receivables	77,669	-
Other receivables	2,296	-
Current payables to DSA Law Pty Ltd *(a related entity of former director Mr Kimble Stynes*):		
Trade payables	50,000	-
Other payables	3,000	-

Note 18. Related party transactions (continued)

There were no loans to or from related parties at the current and previous reporting date.

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

Note 19. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2021	**2020**
	$	**$**
Loss after income tax	(3,769,308)	-
Total comprehensive income	(3,769,308)	-

Statement of financial position

	Parent	
	2021	**2020**
	$	**$**
Total current assets	1,143,669	2,000
Total assets	3,440,719	2,000
Total current liabilities	676,905	-
Total liabilities	2,602,289	-
Equity		
Issued capital	4,351,600	2,000
Share-based payments reserve	256,138	-
Accumulated losses	(3,769,308)	-
Total equity	838,430	2,000

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 20. Group re-organisation

On 10 July 2020 the Company acquired the assets and liabilities of Releaf Medical Cannabis Clinics Pty Ltd and also the shares in Releaf Training and Education Pty Ltd which is a now wholly owned subsidiary.

This is considered to be a common control transaction as the companies which formed part of the group following the re-organisation are substantially owned by the same shareholders. As a result the accounting treatment has been applied as follows:

- the assets and liabilities of the combining entities are reflected at their carrying amounts;
- no goodwill or other intangible assets are recognised as a result of the transaction; and
- the excess of the fair value of the purchase consideration over the carrying value of the assets and liabilities has been recorded as Business Development Expenditure; and
- the common control transaction accounting policy adopted by the Company resulted in a net liabilities position for the acquired business.

Details of the acquisition are as follows:

	Value $
Cash and cash equivalents	452
Other receivables	9,371
Inventories	34,139
Leasehold improvements	153,795
Plant and equipment	50,813
Office furniture and equipment	21,121
Accumulated depreciation	(4,774)
Net assets of Releaf Training and Education Pty Ltd	(7,245)
Other payables	(199,659)
Revenue received in advance	(260,500)
Net liabilities acquired	(202,487)
Goodwill	-
Total consideration transferred	(202,487)
Representing:	
Cash paid or payable to vendor	208,758
Releaf Group Limited shares issued to vendor	590,000
Business development expenses	(1,001,245)
	(202,487)

Note 21. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	 2020 %
Releaf Training and Education Pty Ltd	Australia	100.00%	-
Canacruit Pty Ltd	Australia	90.00%	-
Releaf Dispensaries Pty Ltd	Australia	100.00%	-
Releaf (Qld) Pty Ltd	Australia	100.00%	-
Releaf (Vic) Pty Ltd	Australia	100.00%	-
Releaf Pets Pty Ltd	Australia	100.00%	-
Releaf FUT 1 Pty Ltd	Australia	100.00%	-

Note 21. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	2020 %
Int CCM Pty Ltd	Australia	100.00%	-
Releaf Dispensaries (Qld) Pty Ltd	Australia	100.00%	-
Releaf Manufacturing Pty Ltd	Australia	100.00%	-
Mull Café Pty Ltd	Australia	100.00%	-
Releaf (Armadale) Pty Ltd	Australia	51.00%	-
Releaf (Caloundra) Pty Ltd	Australia	63.00%	-
Releaf Limited	New Zealand	100.00%	-

The following subsidiaries were incorporated after the end of the current period:
- Releaf (Fortitude Valley) Pty Ltd - incorporated 5 July 2021
- Releaf (SA) Pty Ltd - incorporated 24 July 2021
- Releaf WA) Pty Ltd - incorporated 24 July 2021

Note 22. Events after the reporting period

On 1 July 2021 1,506,000 options were granted to employees under the ESOP. These options had an exercise price of $0.30 and expiry date of 1 July 2024.

On 1 August 2021 207,142 options were granted to third parties in recognition of services rendered. These options had an exercise price of $0.22 and expiry date of 1 August 2024.

On 17 August 2021 1,450,000 options were granted to employees under the ESOP. These options had an exercise price of $0.30 and expiry date of 17 August 2024.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 23. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2021 $	2020 $
Loss after income tax expense for the year	(3,910,877)	-
Adjustments for:		
Depreciation and amortisation	250,105	-
Share-based payments	786,138	-
Non-cash business development expenses	590,000	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(181,611)	-
Increase in other operating assets	(159,880)	-
Increase in trade and other payables	508,311	-
Increase in employee benefits	55,162	-
Net cash used in operating activities	(2,062,652)	-

Note 24. Earnings per share

	Consolidated 2021 $	Consolidated 2020 $
Loss after income tax	(3,910,877)	-

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	158,503,693	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	158,503,693	-

	Cents	Cents
Basic earnings per share	(2.47)	-
Diluted earnings per share	(2.47)	-

Note 25. Share-based payments

Expenses arising from share-based payment transactions:

	Consolidated 2021 $	Consolidated 2020 $
Option related	256,138	-
Share related	530,000	-
	786,138	-

A employee share and option plan has been established by the Group whereby the Group may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

Options

Set out below are summaries of options granted under the employee share and option plan:

	Number of options 2021	Weighted average exercise price 2021	Number of options 2020	Weighted average exercise price 2020
Outstanding at the beginning of the financial year	-	$0.00	-	$0.00
Granted	6,150,000	$0.20	-	$0.00
Outstanding at the end of the financial year	6,150,000	$0.20	-	$0.00
Exercisable at the end of the financial year	6,150,000	$0.20	-	$0.00

Note 25. Share-based payments (continued)

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
16/12/2020	18/11/2023	$0.20	-	5,700,000	-	-	5,700,000
15/04/2021	12/04/2024	$0.20	-	450,000	-	-	450,000
			-	6,150,000	-	-	6,150,000

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
16/12/2020	18/11/2023	$0.10	$0.20	85.00%	-	0.11%	$0.037
15/04/2021	12/04/2024	$0.20	$0.20	81.00%	-	0.16%	$0.104

Share-based payment expenses arising from options:

Granted to:	Grant date	Expiry date	Exercise price	FV at grant date	# options	Share-based payment expense $
Gary Mackenzie - Director	16/12/2020	18/11/2023	$0.20	$0.037	1,500,000	55,091
Christopher Hansen - Director	16/12/2020	18/11/2023	$0.20	$0.037	1,000,000	36,727
Scott McDonald - Director	16/12/2020	18/11/2023	$0.20	$0.037	1,000,000	36,727
Kylie O'Brien - KMP	16/12/2020	18/11/2023	$0.20	$0.037	250,000	9,182
Sylvia Victor - KMP	16/12/2020	18/11/2023	$0.20	$0.037	500,000	18,364
Other employees	16/12/2020	18/11/2023	$0.20	$0.037	1,450,000	53,255
Other employees	15/04/2021	12/04/2024	$0.20	$0.104	450,000	46,792
					6,150,000	256,138

Shares

	Consolidated 2021 $	Consolidated 2020 $
Expenses:		
Shares issued to employees (i) & (iv)	250,000	-
Shares issued to director related entity as consideration for legal expenses (ii)	105,000	-
Shares issued to supplier as consideration for legal expenses (iii)	175,000	-
	530,000	-

(i) On 19 October 2020 a total of 30 shares (on a pre share-split basis) valued at $210,000 were issued to employees under the employee share and option plan. This included 18 shares valued at $126,000 issued to key management personnel.

Note 25. Share-based payments (continued)

(ii) On 17 November 2020 a total of 1,050,000 shares valued at $105,000 were issued to a related entity for legal expenses.

(iii) On 17 November 2020 a total of 1,750,000 shares valued at $175,000 were issued to a supplier for legal expenses.

(iv) On 26 June 2021 a total of 200,000 shares valued at $40,000 were issued to a key management personnel employee under the employee share and option plan.

	Consolidated	
	2021	**2020**
	$	**$**
Other:		
Shares issued to supplier as consideration for capital raising costs (i)	16,800	-
Shares issued for group re-organisation (refer to note 20 'Group re-organisation')	590,000	-
	606,800	-

(i) On 17 November 2020 a total of 168,000 shares valued at $16,800 were issued to a supplier for capital raising costs.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Connect National Audit, the auditor of the Company:

	Consolidated	
	2021	**2020**
	$	**$**
Audit services - Connect National Audit		
Audit or review of the financial statements	20,000	-

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 1 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 2021 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Gary Mackenzie
Director

4 October 2021

Independent Auditor's Report
To the Members of Releaf Group Limited
Report on the Audit of the Financial Report

Opinion
We have audited the accompanying financial report of Releaf Group Limited and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the financial year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the financial report of Releaf Group Limited and its controlled entities is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial 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 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 Group, 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.

Other Matters

The financial report of the Group for the year ended 30 June 2020 was unaudited.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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 the basis of preparation, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that these general purpose financial statements have been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001, as appropriate for for-profit entities.

In preparing the financial report, the directors are responsible for assessing the Group'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 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: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

George Georgiou FCA
Managing Partner
Connect National Audit Pty Ltd
ASIC Authorised Audit Company No.: 521888
Melbourne, Victoria
Date: 4 October 2021