AHAlife Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	AHAlife Holdings Limited
ABN:	15 006 908 701
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

The consolidated entity has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the year ended 30 June 2019. The Accounting Standards were adopted using the transitional rules that allow for comparatives have not to be restated.

				US$
Revenues from ordinary activities	down	34.3%	to	3,222,514
Loss from ordinary activities after tax attributable to the owners of AHAlife Holdings Limited	down	1.8%	to	(2,643,241)
Loss for the year attributable to the owners of AHAlife Holdings Limited	down	1.8%	to	(2,643,241)

	2019 (unaudited) Cents	2018 Cents
Basic earnings per share	(0.38)	(0.52)
Diluted earnings per share	(0.38)	(0.52)

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

Comments
The loss for the consolidated entity after providing for income tax amounted to US$2,643,241 (30 June 2018: US$2,691,460).

Refer to the Chairman's report for detailed commentary on the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.01	0.40

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial report is in the process of being audited.

AHAlife Holdings Limited
Appendix 4E
Preliminary final report

5. Attachments

Details of attachments (if any):

The Preliminary Financial Report of AHAlife Holdings Limited for the year ended 30 June 2019 is attached.

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6. Signed

Signed ___________________________ Date: 30 August 2019

Mike Hill
Chairman
Sydney

AHAlife Holdings Limited
Chairman's report
30 June 2019

Dear Shareholder,

On behalf of the Board of Directors of Ahalife Holdings Ltd ('Ahalife' or the 'consolidated entity'), I am pleased to present the 2019 Preliminary Final Report.

We kick started 2019 with a number of initiatives. Our new CEO, Rob Mancini undertook a detailed audit of all operational, technology and financial elements of the business. This audit and an assessment of the competitive landscape resulted in a series of aggressive and accelerated strategic changes, redefining how the Ahalife moves into 2020.

To support our strategy and growth plans we completed a successful capital raise of US$1.6 million in June and July 2019, providing Ahalife with forward flexibility to expand the business.

Late in Q3 Ahalife completed the acquisition of the award winning digital media company, Design Milk and its related websites Adorn Milk, Dog Milk, Milk Factory, and it's pop-up retail concept Milk Stand that supports independent brands and designers by offering retail space within high-traffic design focused events around the world.

As part of our plans to develop Design Milk we made a conscious decision to walk away from unprofitable sales and costly customer acquisition activities on Ahalife and Kaufmann Mercantile. We anticipated the drop in top line revenue and offset this in Q4 with our growing and high contributing Design Milk advertising revenue, resulting in a positive 5ppt gross margin improvement vs. FY18.

We restructured the operations and made further cost savings to the Ahalife and Kaufmann Mercantile businesses, enabling us to absorb the Design Milk operational costs whilst maintaining a relatively flat overall expense structure.

Upon completion of the Design Milk acquisition we designed and launched two test websites, Design Milk Everyday and Design Milk Travels, reflecting two of Design Milk's Instagram feeds of the same names that account for 3.2 million of Design Milk's growing audience of 7.5 million followers.

Having tested the opportunity of a combined media-content and e-commerce business we are pleased to announce the acceleration of our plans for a single fully integrated Design Milk website that will launch at the end of September. It will house all our Design Milk websites under one roof and combine e-commerce with our 20,000+ published articles, engaged global social media audience and large network of unique brands and designers.

As part of the focus toward Design Milk, Rob and the Management team have temporarily moved the Ahalife and Kaufmann Mercantile businesses off our proprietary systems in order to reset our technology backbone and enable a more efficient, cost effective future operating structure. Following the launch of the new integrated Design Milk website the Ahalife and Kaufmann Mercantile brands will be repositioned to compliment the lifestyle and category projection of the Design Milk business.

The Board and Management are very pleased with the speed of these recent changes and excited about the future potential and more efficient operating structure of Ahalife. H1 2020 will continue to be a period of development for the business as we rebuild the foundations of a business that offers the opportunity for multiple streams of revenue growth through e-commerce, advertising, pop-up retail, trade/b2b services and digital media.

I would like to thank you for your continued support and thank our Board, the executive team, and staff who work tirelessly to continue to build our business and capitalise on the fantastic market opportunity.

Mike Hill
Chairman

30 August 2019

AHL
AHALIFE HOLDINGS LIMITED

AHAlife Holdings Limited

ABN 15 006 908 701

Preliminary Financial Report - 30 June 2019

AHAlife Holdings Limited
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30 June 2019

AHAlife Holdings Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 (unaudited) US$	2018 US$
Revenue			
Sale of goods		3,000,578	4,904,034
Advertising revenue		221,855	-
Total sales revenue	3	3,222,433	4,904,034
Cost of goods sold		(1,746,900)	(2,895,927)
Gross margin		1,475,533	2,008,107
Other income	4	352,260	360,389
Interest revenue calculated using the effective interest method		81	1,526
Expenses			
Employee benefit expenses	5	(1,683,717)	(1,575,286)
Marketing expenses		(823,583)	(1,130,601)
Technology expenses		(353,292)	(335,360)
Freight and warehousing expenses		(401,881)	(667,162)
Occupancy and administrative expenses		(554,085)	(746,959)
Professional fees		(174,957)	(336,703)
Depreciation and amortisation expenses	5	(144,179)	(191,613)
Other expenses		(326,674)	(71,434)
Finance costs	5	(8,747)	(6,364)
Loss before income tax expense		(2,643,241)	(2,691,460)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of AHAlife Holdings Limited		(2,643,241)	(2,691,460)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(36,733)	(10,213)
Other comprehensive income for the year, net of tax		(36,733)	(10,213)
Total comprehensive income for the year attributable to the owners of AHAlife Holdings Limited		(2,679,974)	(2,701,673)
		Cents	**Cents**
Basic earnings per share	17	(0.38)	(0.52)
Diluted earnings per share	17	(0.38)	(0.52)

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

AHAlife Holdings Limited
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 (unaudited) US$	Consolidated 2018 US$
Assets			
Current assets			
Cash and cash equivalents	6	796,265	3,237,233
Trade and other receivables	7	194,210	25,581
Inventories		68,186	60,532
Other	8	148,789	98,046
Total current assets		1,207,450	3,421,392
Non-current assets			
Property, plant and equipment	9	30,026	146,812
Intangibles	10	1,258,333	16,042
Security deposits		57,140	57,790
Total non-current assets		1,345,499	220,644
Total assets		2,552,949	3,642,036
Liabilities			
Current liabilities			
Trade and other payables	11	951,805	605,180
Contract liabilities and deferred revenue		37,617	100,241
Other		84,877	56,043
Total current liabilities		1,074,299	761,464
Non-current liabilities			
Lease make good provision		68,000	68,000
Rental security deposit		57,000	57,000
Total non-current liabilities		125,000	125,000
Total liabilities		1,199,299	886,464
Net assets		1,353,650	2,755,572
Equity			
Contributed equity	12	53,296,618	52,499,915
Reserves	13	1,105,646	649,173
Accumulated losses		(53,048,614)	(50,393,516)
Total equity		1,353,650	2,755,572

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

AHAlife Holdings Limited
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Contributed equity US$	Reserves US$	Accumulated losses US$	Total equity US$
Balance at 1 July 2017	47,607,791	650,411	(47,702,056)	556,146
Loss after income tax expense for the year	-	-	(2,691,460)	(2,691,460)
Other comprehensive income for the year, net of tax	-	(10,213)	-	(10,213)
Total comprehensive income for the year	-	(10,213)	(2,691,460)	(2,701,673)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	4,892,124	-	-	4,892,124
Share-based payments	-	8,975	-	8,975
Balance at 30 June 2018	52,499,915	649,173	(50,393,516)	2,755,572

Consolidated	Contributed equity US$	Reserves US$	Accumulated losses US$	Total equity US$
Balance at 1 July 2018	52,499,915	649,173	(50,393,516)	2,755,572
Adjustment for change in accounting policy (note 1)	-	-	(11,857)	(11,857)
Balance at 1 July 2018 - restated	52,499,915	649,173	(50,405,373)	2,743,715
Loss after income tax expense for the year	-	-	(2,643,241)	(2,643,241)
Other comprehensive income for the year, net of tax	-	(36,733)	-	(36,733)
Total comprehensive income for the year	-	(36,733)	(2,643,241)	(2,679,974)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	796,703	-	-	796,703
Share-based payments	-	226,540	-	226,540
Shares/options issued on acquisition of business (note 15)	-	266,666	-	266,666
Balance at 30 June 2019	53,296,618	1,105,646	(53,048,614)	1,353,650

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

AHAlife Holdings Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 (unaudited) US$	2018 US$
Cash flows from operating activities			
Receipts from customers		3,065,982	4,922,962
Payments to suppliers and employees		(6,025,890)	(7,923,904)
Interest received		81	1,526
Receipts from other income		234,669	360,389
Interest and other finance costs paid		(8,747)	(6,364)
Net cash used in operating activities	16	(2,733,905)	(2,645,391)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	15	(500,000)	-
Payments for property, plant and equipment	9	(4,416)	(3,925)
Proceeds from release of security deposits		650	905
Net cash used in investing activities		(503,766)	(3,020)
Cash flows from financing activities			
Proceeds from issue of shares	12	841,875	5,227,992
Share issue transaction costs	12	(45,172)	(335,868)
Net cash from financing activities		796,703	4,892,124
Net increase/(decrease) in cash and cash equivalents		(2,440,968)	2,243,713
Cash and cash equivalents at the beginning of the financial year		3,237,233	993,520
Cash and cash equivalents at the end of the financial year	6	796,265	3,237,233

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

Note 1. New or amended Accounting Standards and Interpretations adopted

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

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

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

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018, using the option not to restate comparatives. The standard introduced new classification and measurement models for financial assets.

- A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.
- A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.
- All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. There was no significant impact on adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018, using the modified retrospective approach.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below.

Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
The Group has adopted Accounting Standards AASB 9 and AASB 15 for the year ended 30 June 2019. The Accounting Standards were adopted from 1 July 2018 using the transitional rules available and therefore comparatives have not been restated.

The adoption of AASB 9 had no material impact on the consolidated entity's trade receivables or cash and cash equivalents due to the implementation of ECL.

Note 1. New or amended Accounting Standards and Interpretations adopted (continued)

The adoption of AASB 15 resulted in the following adjustments:

- deferred revenue and customer loyalty liabilities are now classified as contract liabilities (reclassification only); and
- revenue is now recognised on receipt to the customer as opposed to on dispatch (revenue is recognised later resulting in higher inventory asset and higher contract liabilities).

The impact of adoption of these accounting standards on opening accumulated losses as at 1 July 2018 was as follows:

	US$
Contract liability	(42,789)
Inventory	27,682
Trade payables	3,250
Impact on opening accumulated losses as at 1 July 2018	(11,857)

The impact of AASB 15 compared to the previous AASB 118 'Revenue' on the current reporting year was not significant.

Note 2. Operating segments

Identification of reportable operating segments
The consolidated entity's operating segments are based on the internal reports that are reviewed and used by the Board of Directors who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The directors have determined that there is one operating segment identified and located in the United States of America. The information reported to the CODM is the consolidated results of the consolidated entity.

The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated.

The information reported to the CODM is on a monthly basis.

Major customers
During the year ended 30 June 2019, there were no external customers (2018:Nil) where revenue exceeded 10% of the consolidated revenue.

Note 3. Revenue

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

	Consolidated 2019 (unaudited) US$
Major product lines	
Sale of goods	3,000,578
Advertising revenue	221,855
	3,222,433
Timing of revenue recognition	
Goods transferred at a point in time	3,000,578
Services transferred at a point in time	178,126
Services transferred over time	43,729
	3,222,433

Note 3. Revenue (continued)

The revenue from contracts with customers is generated substantially all from the United States of America. AASB 15 was adopted using the modified retrospective approach and as such comparatives relating to disaggregation of revenue have not been presented.

Note 4. Other income

	Consolidated 2019 (unaudited) US$	Consolidated 2018 US$
Rental income	352,260	342,000
Income from relocation and employment assistance program	-	18,389
Other income	352,260	360,389

Note 5. Expenses

	Consolidated 2019 (unaudited) US$	Consolidated 2018 US$
Loss before income tax includes the following specific expenses:		
Depreciation		
Fixtures and fittings	1,282	1,182
Leasehold improvements	104,897	90,784
Machinery and equipment	2,357	4,559
Computer equipment	12,666	21,250
Total depreciation	121,202	117,775
Amortisation		
Customer list	14,644	73,838
Customer relationships	8,333	-
Total amortisation	22,977	73,838
Total depreciation and amortisation	144,179	191,613
Employee benefit expenses		
Salaries and wages	1,449,589	1,539,789
Defined contribution superannuation expense	7,588	26,522
Share-based payments expense	226,540	8,975
Total employee benefit expenses	1,683,717	1,575,286
Finance costs		
Interest and finance charges paid/payable	8,747	6,364
Rental expense relating to operating leases		
Lease payments	302,324	344,914

Note 6. Current assets - cash and cash equivalents

	Consolidated 2019 (unaudited) US$	2018 US$
Cash at bank and on hand	539,428	3,237,233
Cash - held-in-trust	256,837	-
	796,265	3,237,233

Note 7. Current assets - trade and other receivables

	Consolidated 2019 (unaudited) US$	2018 US$
Trade and other receivables	254,259	25,581
Less: Allowance for expected credit losses	(60,049)	-
	194,210	25,581

Allowance for expected credit losses
The consolidated entity has recognised a loss of US$60,049 (2018: US$ nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Note 8. Current assets - other

	Consolidated 2019 (unaudited) US$	2018 US$
Prepayments	120,544	95,241
GST receivable	28,245	2,805
	148,789	98,046

Note 9. Non-current assets - property, plant and equipment

	Consolidated 2019 (unaudited) US$	Consolidated 2018 US$
Furniture and fixtures - at cost	6,991	5,396
Less: Accumulated depreciation	(3,594)	(2,312)
	3,397	3,084
Leasehold improvements - at cost	363,580	363,580
Less: Accumulated depreciation	(343,285)	(238,388)
	20,295	125,192
Machinery and equipment - at cost	25,247	25,247
Less: Accumulated depreciation	(22,991)	(20,634)
	2,256	4,613
Computer equipment - at cost	66,739	63,918
Less: Accumulated depreciation	(62,661)	(49,995)
	4,078	13,923
	30,026	146,812

Reconciliations

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

Consolidated	Furniture and fixtures US$	Leasehold improvements US$	Machinery and equipment US$	Computer equipment US$	Total US$
Balance at 1 July 2017	3,615	215,976	9,172	31,899	260,662
Additions	651	-	-	3,274	3,925
Depreciation expense	(1,182)	(90,784)	(4,559)	(21,250)	(117,775)
Balance at 30 June 2018	3,084	125,192	4,613	13,923	146,812
Additions	1,595	-	-	2,821	4,416
Depreciation expense	(1,282)	(104,897)	(2,357)	(12,666)	(121,202)
Balance at 30 June 2019	3,397	20,295	2,256	4,078	30,026

Note 10. Non-current assets - intangibles

	Consolidated 2019 (unaudited) US$	2018 US$
Goodwill - at cost	286,666	-
Customer list - at cost	161,183	180,167
Less: Accumulated amortisation	(161,183)	(164,125)
	-	16,042
Trade name and trademarks - at cost	730,000	-
Customer relationships - at cost	250,000	-
Less: Accumulated amortisation	(8,333)	-
	241,667	-
	1,258,333	16,042

Reconciliations

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

Consolidated	Goodwill US$	Customer list US$	Trademarks US$	Customer relationships US$	Total US$
Balance at 1 July 2017	-	88,895	-	-	88,895
Exchange differences	-	985	-	-	985
Amortisation expense	-	(73,838)	-	-	(73,838)
Balance at 30 June 2018	-	16,042	-	-	16,042
Additions through business combinations (note 15)	286,666	-	730,000	250,000	1,266,666
Exchange differences	-	(1,398)	-	-	(1,398)
Amortisation expense	-	(14,644)	-	(8,333)	(22,977)
Balance at 30 June 2019	286,666	-	730,000	241,667	1,258,333

Note 11. Current liabilities - trade and other payables

	Consolidated 2019 (unaudited) US$	2018 US$
Trade payables	229,039	427,108
Accrued expenses	222,766	178,072
Deferred consideration on acquisition of business	500,000	-
	951,805	605,180

Note 12. Equity - contributed equity

	Consolidated			
	2019 (unaudited) Shares	2018 Shares	2019 (unaudited) US$	2018 US$
Ordinary shares - fully paid	848,198,213	677,360,673	53,296,618	52,499,915

Movements in ordinary share capital

Details	Date	Shares	US$
Balance	1 July 2017	166,140,044	48,917,471
Shares issued on vesting of performance rights	25 July 2017	32,625	-
Shares issued on capital raising	28 September 2017	40,773,748	416,520
Shares issued on capital raising	18 October 2017	336,768,942	3,435,851
Shares issued on capital raising	25 October 2017	124,446,768	1,248,948
Shares issued on capital raising	20 December 2017	12,724,026	126,673
Shares issued on vesting of performance rights	22 December 2017	106,350	-
Shares issued on vesting of performance rights	11 April 2018	368,170	-
Cancellation of treasury shares	11 April 2018	(4,000,000)	(1,309,680)
Share issue transaction costs, net of tax		-	(335,868)
Balance	30 June 2018	677,360,673	52,499,915
Reversal of share-based payment	1 July 2018	(1,000,000)	-
Shares issued on capital raising	5 June 2019	123,706,845	606,164
Shares issued on capital raising	7 June 2019	18,844,983	91,945
Shares issued under share purchase plan	28 June 2019	29,285,712	143,766
Share issue transaction costs, net of tax		-	(45,172)
Balance	30 June 2019	848,198,213	53,296,618

Movements in Treasury shares

Details	Date	Shares	US$
Balance	1 July 2017	(4,000,000)	(1,309,680)
Cancellation of treasury shares	11 April 2018	4,000,000	1,309,680
Balance	30 June 2018	-	-
Cancellation of treasury shares	11 April 2018	-	-
Balance	30 June 2019	-	-

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.

Note 12. Equity - contributed equity (continued)

Treasury shares
The company has an equity scheme pursuant to which certain employees may access a loan funded share plan ('LFSP'). The acquisition of shares by an employee in the company is fully funded by the company through the granting of a full recourse loan. The LFSP shares are held in a trust until the vesting conditions are satisfied and the loan is repaid. Unvested shares held by the trust are controlled by the company and are recorded as treasury shares representing a deduction against issued capital. During the previous year the company completed a buyback of 4,000,000 treasury shares for US$1,309,680 and applied the proceeds against the loan.

Share buy-back
There was no buyback of shares during the current year.

Capital risk management
The consolidated entity'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 consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The capital risk management policy remains unchanged from the 30 June 2018 Annual Report.

Note 13. Equity - reserves

	Consolidated	
	2019 (unaudited) US$	2018 US$
Foreign currency reserve	(55,810)	(19,077)
Share-based payments reserve	894,790	668,250
Share acquisition reserve	266,666	-
	1,105,646	649,173

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of Non-US functional currency operations to United States dollars.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Share acquisition reserve
The reserve is used to recognise equity benefits provided to the vendors on acquisition of subsidiaries. This includes fair value of shares and options which is expected to be converted into issued capital in the future.

Note 13. Equity - reserves (continued)

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve US$	Share-based payments reserve US$	Share acquisition reserve US$	Total US$
Balance at 1 July 2017	(8,864)	659,275	-	650,411
Foreign currency translation	(10,213)	-	-	(10,213)
Share-based payments	-	8,975	-	8,975
Balance at 30 June 2018	(19,077)	668,250	-	649,173
Foreign currency translation	(36,733)	-	-	(36,733)
Share-based payments	-	226,540	-	226,540
Shares to be issued on acquisition of subsidiaries (note 15)	-	-	266,666	266,666
Balance at 30 June 2019	(55,810)	894,790	266,666	1,105,646

Note 14. Equity - dividends

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

Note 15. Business combinations

Design Milk Holdings, LLC
On 28 February 2019, the consolidated entity acquired the assets of Design Milk Holdings, LLC ('Design-milk') for the total consideration transferred of $1,266,666. Design-milk is a globally recognised design and lifestyle-focused website sharing the latest news in art, architecture, interior design, furniture, fashion and technology to a highly engaged audience. The goodwill of $286,666 represents profitability of the acquired business and the synergistic opportunities it offers and intangible assets that do not qualify for separate recognition.

The acquired business contributed revenues of US$244,763 and profit after tax of US$19,567 to the consolidated entity for the period from 28 February 2019 to 30 June 2019. The values identified in relation to the acquisition are provisional as at 30 June 2019.

Details of the acquisition are as follows:

	Fair value US$
Trade name and trademarks	730,000
Customer relationships	250,000
Net assets acquired	980,000
Goodwill	286,666
Acquisition-date fair value of the total consideration transferred	1,266,666
Representing:	
Cash paid or payable to vendor	500,000
Deferred consideration	500,000
Share option issued on acquisition (note 13)	266,666
	1,266,666
Acquisition costs expensed to profit or loss	18,000

Note 16. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019 (unaudited) US$	2018 US$
Loss after income tax expense for the year	(2,643,241)	(2,691,460)
Adjustments for:		
Depreciation and amortisation	144,179	191,613
Share-based payments	226,540	8,975
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(168,629)	30,574
Decrease in inventories	20,028	10,637
Increase in prepayments	(25,303)	(42,144)
Decrease/(increase) in other operating assets	(25,440)	12,523
Decrease in trade and other payables	(156,626)	(154,463)
Decrease in contract liabilities and deferred revenue	(105,413)	-
Decrease in other operating liabilities	-	(11,646)
Net cash used in operating activities	(2,733,905)	(2,645,391)

Note 17. Earnings per share

	Consolidated	
	2019 (unaudited) US$	2018 US$
Loss after income tax attributable to the owners of AHAlife Holdings Limited	(2,643,241)	(2,691,460)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	686,652,495	520,963,731
Weighted average number of ordinary shares used in calculating diluted earnings per share	686,652,495	520,963,731
	Cents	Cents
Basic earnings per share	(0.38)	(0.52)
Diluted earnings per share	(0.38)	(0.52)

Note 18. Events after the reporting period

In July 2019, AHAlife Holdings Limited completed capital raising of US$797,222 (before costs) by issuing 161,301,742 ordinary shares.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.