



# Consolidated Financial Report for the Year Ended 31 December 2023

ACN: 614 508 039

# 2023 FINANCIAL REPORT

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# CORPORATE INFORMATION

## EPSILON HEALTHCARE LIMITED (ASX: EPN)

### Directors

Josh Cui (Chairman)  
Alan Beasley (Deputy Chairman)  
Stuart Cameron

### Company Secretary

Marcelo Mora (Resigned 20 August 2024)  
Richard Legge (Appointed 20 August 2024)

### Registered Office

Level 1  
1 Jamison Street  
Sydney NSW 2000

### Share Registry

Computershare Investor Services Pty Limited  
GPO Box 2975  
Melbourne VIC 3001

### Corporate Accountant

Ure Lynam & Co  
Level 1  
1 Jamison Street  
Sydney NSW 2000

### Auditor

A D Danieli Audit Pty Ltd  
Level 1, 261 George Street  
Sydney NSW 2000

### Stock Exchange Listing

Epsilon Healthcare Limited securities are listed on the  
Australian Securities Exchange (ASX code: EPN)

### Website

[epsilonhealthcare.com.au](https://epsilonhealthcare.com.au)

# CHAIRMAN'S REPORT

I present to shareholders the 2023 Annual Report for Epsilon Healthcare Limited (ASX:EPN)

The Company showed promise during Q3 & Q4 but was compromised in the last month of FY 2023.

During the course of the year, the Company focussed on expanding its medicinal cannabis and pharmaceuticals manufacturing operations at the Southport manufacturing facility and the Epsilon Clinics operations, including securing new clients and expanded client offerings.

The first half of the year was business as usual with modest revenue being generated and delivered from previous management operations.

Peter Giannopoulos was appointed CEO at the end of May and the second half of the year saw significant increases in clients, client activity, product offerings, revenue and the company was really starting to "take shape".

Actions taken by two directors saw significant non operational costs incurred, action taken to purportedly terminate the CEO's services on November 21, and on 17 December, place the company into Voluntary Administration.

An Extraordinary General Meeting (EGM) had been called in November to remove Mr Stuart Hamilton Cameron and Mr Xiao (Josh) Cui from the Board. The Voluntary Administrators cancelled the EGM soon after their appointment.

The current board of directors see the actions leading up to and including appointment of Administrators as having had a significant effect on the Company, clients and to some extent our employees who found it hard to understand the actions. The Administration cost the company significant amounts of money, reputational damage, impacted confidence of clients, revenue growth, staff morale, costs of the administration and legal and accounting fees.

Given the actions of the newly appointed CEO (Peter Giannopoulos) as well as the team around him, the fourth quarter revenue had been the strongest in the company's history. However, in the aftermath of the appointment of Administrators revenue plateaued since the year end.

Notwithstanding the above, the 2023 result was a significant improvement on the previous year and shows that the company was on a positive trajectory during H2 of FY2023 given the activities and strategies implemented by Peter Giannopoulos and the leadership team.

On behalf of the Company and our shareholders it is the intention of the current Board to deploy legal resources in order to pursue the reimbursement and recoupment of all expenses recoverable from those deemed to be legally responsible for costs being wasted to the full extent possible.

On behalf of the Board and management we sincerely thank you for your support of Epsilon your continued interest and commitment as we look forward towards a positive future.

Yours Sincerely,



**Alan Beasley**

**Chairman**

**28 March 2025**

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# DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Epsilon Healthcare Limited, referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

## Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

<b>Josh Cui</b>	Chairman (Removed 11 June 2024)
<b>Alan Beasley</b>	Chairman from 11 June 2024
<b>Stuart Cameron</b>	Non-Executive Director (Removed 11 June 2024)
<b>Peter Giannopoulos</b>	Executive Director (Appointed 11 June 2024)
<b>Zoe Hutchings</b>	Non-Executive Director (Appointed 11 June 2024)

## Company Secretary

Marcelo Mora (Resigned 20 August 2024)

Josh Cui (Removed 8 July 2024)

Richard Legge (Appointed 20 August 2024)

## Information on Directors

### Josh Cui

*Chairman*

Josh Cui is the Managing Director at Watercrest Capital, a global private investment firm specialising in managing alternative investments and dealing with multiple asset classes. Mr Cui manages private equity, energy resources, hedge funds, fixed income, forex exchange and real estate development.

He holds a bachelor degree in finance at The Australian National University. Additionally, he has 10 years of experience as a professional investor specialising in generating investment returns by leveraging flexible investment strategies.

### Special

### responsibilities

None

### Other current

### ASX directorships:

None

### Former ASX directorships in last 3 years

None

### Alan Beasley

*Deputy Chairman*

BEC, FAICD, FGIA, FCIS, CPA.

Alan is currently Managing Director of Hudson Investment Group Limited (ASX:HGL) and is a seasoned company director with over 30 years' experience, having served many small, medium and large company Boards including startups, IPOs and

turnarounds. A former director of the Australian subsidiaries of Bankers Trust, Goldman Sachs and BNP Paribas, Alan has the corporate reach, expertise and experience to advise and assist the company in the corporate and capital markets environment. Alan also served on the ASX listings appeals committee and thus very familiar with the listing rules and requirements of the ASX, corporate governance and compliance. Alan graduated with a Bachelor of Economics degree, and an Advanced Management Program from Stanford Graduate School of Business, Palo Alto California. He is a Fellow of the Australian Institute of Company Directors, Governance Institute of Australia and Chartered Institute of Secretaries.

<b>Special responsibilities</b>	Chairman
<b>Other current ASX directorships:</b>	Hudson Investment Group Ltd
<b>Former ASX directorships in last 3 years</b>	None

### **Stuart Cameron**

*Non-Executive Director*

BEC LLM FCA

Stuart is a Chartered Accountant and a Registered Company Auditor.

<b>Special responsibilities</b>	None
<b>Other current ASX directorships:</b>	None
<b>Former ASX directorships in last 3 years</b>	None

### **Zoe Hutchings**

*Non-Executive Director*

Zoe has forged a career leading pharmaceutical and healthcare business units to identify opportunities for diversification, growth and to realise long term profitability in multiple geographical jurisdictions. Her leadership of the company-wide strategy at Sandoz, encompassing a start-up business unit and cross-company strategy, led to a return to margin accretive growth. Working within the healthcare setting has provided the opportunity to work within a highly regulated market and enabled Zoe to develop strong financial and operational governance, strategy development, and organisational advocacy. Zoe has been driven by a passion to improve health outcomes by creating earlier and expanded access to medicines. Most recently Zoe has completed a Master of Sustainability at the University of Sydney, specialising in sustainable development in business, population health, food and water security, law and policy. Concurrently, Zoe has extensive skills acquired in the pharmaceutical and healthcare industry in multi-product franchises, at various product life cycle stages from launch to patent expiry, to established generic portfolios.

<b>Special responsibilities</b>	None
<b>Other current ASX directorships:</b>	None
<b>Former ASX directorships in last 3 years</b>	None

## Peter Giannopoulos

Non-Executive Director

BPharm

Mr Giannopoulos brings more than 25 years' experience across the Australian healthcare ecosystems including proven success within the ASX healthcare setting and demonstrable success in leadership, operations, M&A, GMP manufacturing & the delivery of innovative revenue accretive opportunities. Previously Peter was CEO of Cell Therapies Pty Ltd, an Australian based globally active commercial contract development and manufacturing company with a specialisation in cell and gene therapies and cellular immunotherapy products. Prior to Cell Therapies Pty Ltd, Peter led the diversification of Australia's largest private hospital provider, Ramsay Healthcare (ASX: RHC) as the CEO of the Ramsay Pharmacy Group over a 12-year period. Under Peter's leadership, the group operations expanded exponentially to become a multi-site operation (90 sites) generating annual revenues of more than AU \$400M. Peter also has a clinical background with a degree in pharmacy and a deep understanding of the Australian and international financial and operational health landscapes.

<b>Special responsibilities</b>	Managing Director
<b>Other current ASX directorships:</b>	None
<b>Former ASX directorships in last 3 years</b>	None

## Information on Key Management Personnel

### Marcelo Mora

Company Secretary

Mr Marcelo Mora holds a Bachelor of Business degree and Graduate Diploma of Applied Corporate Governance. Mr Mora has been a Company Secretary and an accountant for more than 30 years providing financial reporting and company secretarial services to a range of publicly listed companies. Marcelo has been the Company Secretary since 23 December 2022.

### Richard Legge

Company Secretary

Mr Richard Legge holds a Bachelor of Commerce (Honours) degree and has been a Chartered Accountant for over 40 years and has provided company secretarial services to a range of entities.

## Meetings of Directors (incorporating Audit and Remuneration Committees)

Director	Meetings	
	Attended	Eligible to Attend
Josh Cui	7	7
Alan Beasley	7	7
Stuart Cameron	7	7

## Review of Operations and Financial Results

The net loss after tax for the year was \$1,090,990 (2022 loss restated: \$13,606,332).



## Principal Activities and Strategy

Epsilon Healthcare is a diversified global healthcare and pharmaceuticals company with primary operations in Australia. Epsilon owns a number of medicinal cannabis assets including the largest GMP cannabis manufacturing facility in the Southern Hemisphere (the Southport Facility) in Southport, Australia and the Tetra Health clinic group.

## Significant Changes in State of Affairs

On 17 December 2023 the Board of directors (by majority) voted to place the Company into voluntary administration.

The Current Board of directors believe that this action:

1. Was not warranted;
2. Has had a significantly detrimental effect on the Company subsequent to the balance date.

On 18 December 2023 the following 2 operating subsidiaries was placed into voluntary administration by their sole director, Josh Cui:

- Epsilon Pharma Pty Limited; and
- Epsilon Clinics Pty Limited

The current Board of directors believe that these voluntary administrations ought not have been entered.

## Matters Subsequent to Balance Date

Since the end of the reporting year:

1. The voluntary administrations came to an end of 24 June 2024 for the companies detailed in the above Significant Changes in State of Affairs note, when creditors of each company voted to accept a Deed of Company Arrangement for each company presented and promoted by Mr Alan Beasley and Mr Peter Giannopoulos.
2. The voluntary administrators removed Mr Josh Cui and Mr Stuart Cameron as company directors on 11 June 2024.
3. The Voluntary administrators appointed Mr Peter Giannopoulos and Ms Zoe Hutchings as company directors on 11 June 2024.
4. The cost of the voluntary administration has had an adverse effect on the Company:
  - a. Actual financial administrator costs;
  - b. Actual legal costs for administrator and Company; and
  - c. Disrupted trading operations, loss of opportunities and growth.
5. The Company has entered into the following finance arrangements subsequent to balance date:
  - a. A Syndicated Loan Facility for \$2.6 million was entered into on 24 June 2024 with a maturity date of 24 June 2025.
  - b. A secured loan facility was entered on 24 June 2024 for \$4.626 million to refinance existing debt facilities. This facility expired on 24 December 2024;
  - c. The loan facility in b. above which expired on 24 December 2024 was refinanced with a replacement secured loan facility of \$4.6 million with an original expiry date of 20 March 2025 which has been extended to 20 June 2025.
6. On 23 December 2024 the Company raised \$720,000 by way of issuing 45 million shares at \$0.016 as a private placement to sophisticated investors.

Apart from the above, there were no other matter or circumstance which has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- a. The Group's operations in future financial years; or
- b. The results of those operations in future financial years; or
- c. 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 these financial statements because the directors believe it could potentially and unreasonably prejudice the Group.

## **Environmental regulation**

The Group's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Group's obligations and its not aware of any breach of environmental requirements as they relate to the Group.

## **Dividends**

No dividends were paid to members during the financial year (2022: \$Nil).

## **Indemnification of officers**

During the financial year the Group paid premiums in respect of a contract insuring Directors and Executives against liabilities incurred in the ordinary course of business.

## **Proceedings on behalf of the Group**

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

No proceedings have been brought or intervened in on behalf of the Group.

## **Non-audit services**

As disclosed under Note 22, the Group's auditor did not provide any non-audit services during the 2023 financial year (2022: nil).

## **Auditor's independence declaration**

A copy of the auditor's independence declaration is set out on page 16.

## **Auditor**

A D Danieli Audit Pty Ltd continue in office in accordance with section 327 of the *Corporations Act 2001*.

## **Shares under option**

No shares were issued on exercise of options in the 2023 financial year.

# REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Group.

## Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives, and the ability of the Group to attract, motivate and retain highly skilled directors and executives.

## Remuneration committee

The Remuneration and Nomination Committee of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the executive team. The role of the Remuneration and Nomination Committee was undertaken by the full Board.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

## Remuneration structure

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

## Non-executive director remuneration

### Objective

The Board of Directors recognises that the success of the Group will depend on the quality of its directors and its senior management. For this reason, the Remuneration Committee reviews the remuneration arrangements for all senior employees to ensure that it attracts and keeps motivated, highly skilled and appropriately qualified Directors and executives.

### Structure

The Company's Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined by shareholders in general meeting is then available to be split between the Directors as agreed between them. This determination will be put to shareholders at the next Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors will be reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the directors on market).

Non-executive directors' remuneration is not linked to the performance of the Company.

The remuneration of directors for the year ending 31 December 2023 is detailed in Table 3 of this report. There is currently a maximum director payment pool of \$500,000 for non-executive directors.

## Senior manager and executive director remuneration

### Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to ensure total remuneration is competitive by market standards.

### Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee reviews market conditions and the circumstances of the Company to ensure that the remuneration offered is sufficient to attract executives of the highest calibre.

### Fixed remuneration

The fixed remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

### Short-Term and Long-Term Remuneration

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of three years based on long-term incentive measures. These include increase in shareholders' value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

### Equity Based Remuneration

The equity-based remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

**Table 1: Shareholdings of key management personnel**

2023	Opening balance	Granted as compensation	Acquired	Disposed	Closing balance
Josh Cui	35,828,878	-	-	-	35,828,878
Alan Beasley	-	-	10,500,000	-	10,500,000
Stuart Cameron	8,438,499	-	-	-	8,438,499
<b>Total</b>	<b>44,267,377</b>	<b>-</b>	<b>10,500,000</b>	<b>-</b>	<b>54,767,377</b>

2022	Opening balance	Granted as compensation	Acquired	Disposed	Closing balance
Josh Cui	-	-	35,828,878	-	35,828,878
Alan Beasley	-	-	-	-	-
Stuart Cameron	-	-	8,438,499	-	8,438,499
<b>Total</b>	<b>-</b>	<b>-</b>	<b>44,267,377</b>	<b>-</b>	<b>44,267,377</b>

\*Note these holdings are held indirectly.

**Table 2: Option holdings of key management personnel****2023**

Nil.

**2022**

Nil.

**Employee options**

The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018, which was re-adopted at the 2021 Annual General Meeting for the purpose of ASX Listing Rule 7.2 Exception 13. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

**Table 3: Details of remuneration**

		Salary and fees	Other fees	Post-employment benefits	Share based payments	Total
Name		\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>						
Alan Beasley	2023	60,000	-	-	-	60,000
	2022	-	-	-	-	-
Steven Xu	2023	-	-	-	-	-
	2022	123,334	-	-	-	123,334
Simon Rowe	2023	-	-	-	-	-
	2022	50,000	-	-	-	50,000
Patrick Xu	2023	-	-	-	-	-
	2022	21,667	-	-	-	21,667
<b>Subtotal – Non-Executive Directors</b>	<b>2023</b>	<b>60,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>60,000</b>
	<b>2022</b>	<b>195,001</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195,001</b>
<b>Key Management Personnel</b>						
Peter Giannopoulos - CEO	2023	300,401	-	32,770	-	333,171
	2022	-	-	-	-	-
Jarrod White - CEO	2023	-	-	-	-	-
	2022	84,000	-	-	-	84,000
Sonny Didugu - COO	2023	-	-	-	-	-
	2022	84,000	-	-	-	84,000
Laura Harvey	2023	-	-	-	-	-
	2022	20,236	-	-	-	20,236
<b>Subtotal – Key Management Personnel</b>	<b>2023</b>	<b>300,401</b>	<b>-</b>	<b>32,770</b>	<b>-</b>	<b>333,171</b>
	<b>2022</b>	<b>188,236</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,236</b>
<b>Total</b>	<b>2023</b>	<b>360,401</b>	<b>-</b>	<b>32,770</b>	<b>-</b>	<b>393,171</b>
	<b>2022</b>	<b>383,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>383,237</b>

All payments to related parties are on arms' length terms and at rates comparable to the market rate or average for these contracts. All contracts have received Board approval.

### Service Agreements

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

Name:	Alan Beasley
Title:	Non Executive Director
Agreement commenced:	1 January 2023
Term of agreement:	No fixed term.
Details:	Consultancy fees of \$5,000 per month.

Name:	Peter Giannopoulos
Title:	Chief Executive Officer
Agreement commenced:	23 May 2023
Term of agreement:	The agreement may be cancelled by either party with 3 months notice.
Details:	Total annual remuneration \$495,000, including superannuation.

### Performance of the company and shareholder returns

The application of the Group's executive reward framework has regard to shareholder return indices. Options issued to executives have exercise prices set at significant premiums to the share price at issue dates. Other with nil exercise prices are subject to EPN's share price meeting a number of performance milestones.

Refer to Note 19 Share based payments for details of the valuation of these payments.

On behalf of the Directors,



**Alan Beasley**

**Chairman**

**28 March 2025**

# CORPORATE GOVERNANCE STATEMENT

Epsilon Healthcare Limited ('the Company') has adopted the Fourth Edition of the Corporate Governance Principles and Recommendations which became effective for financial years beginning on or after 1 January 2020.

The Company's Corporate Governance Statement for the financial year ending 31 December 2023 is dated as at 28 March 2025 and was approved by the Board on 28 March 2025. The Corporate Governance Statement is available on the Company's website at <https://epsilonhealthcare.com.au/corporate-governance>.



# A D Danieli Audit Pty Ltd

Authorised Audit Company  
ASIC Registered Number 339233  
Audit & Assurance Services

Level 1 261 George Street  
Sydney NSW 2000  
PO Box H88  
Australia Square NSW 1215 ABN:  
56 136 616 610  
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**Auditor's Independence Declaration  
Under Section 307c of The Corporations Act 2001  
To the Directors of Epsilon Healthcare Limited  
ABN 33 614 508 039  
And Controlled Entities**

I declare that, to the best of our knowledge and belief, during the year ended 31 December 2023, there have been no contraventions of:

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

**A D DANIELI AUDIT PTY LTD**

**Sam Danieli**

**Sydney, 28 March 2025**



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023	Year ended 31 December 2022 (Restated*)
	Notes	\$	\$
Revenue from continuing operations	3	6,651,520	4,651,801
Cost of goods sold		(1,667,543)	(3,221,969)
<b>Gross profit</b>		<b>4,983,977</b>	<b>1,429,832</b>
Other income		817	1,342,556
Freight and other selling expenses		(191,920)	(70,287)
Professional expenses		(348,431)	(606,677)
Corporate and consulting expenses		(704,879)	(1,008,352)
Plant and facility costs		(886,062)	(705,487)
Research and development – prior year refund overstated (net)		(53,748)	-
Licence and registration fees		(172,048)	(194,731)
Employee benefits expense		(2,164,201)	(1,689,113)
Advertising and promotion expenses		(18,473)	(35,917)
Insurance expenses		(599,105)	(573,344)
Bad debts recovered/(expense)		(73,888)	-
Depreciation and amortisation expense	9,10	(1,478,820)	(1,518,088)
Impairment expense		-	(6,909,586)
Interest		(476,980)	(346,173)
Office and occupancy expenses		(246,980)	(268,154)
Administration expenses		(411,308)	(1,149,410)
Foreign exchange (loss)/gain		(8,900)	(1,036)
Loss on disposal of plant and equipment		(367,481)	(13,808)
Interest – leases		(38,232)	(53,984)
Share based payments	19	(50,000)	-
Loan written off on derecognition of subsidiaries		-	(1,771,223)
<b>Loss before income tax</b>		<b>(3,306,662)</b>	<b>(14,142,982)</b>
Income tax benefit/(expense)	5	2,215,672	536,650
<b>Loss for the year</b>		<b>(1,090,990)</b>	<b>(13,606,332)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,090,990)</b>	<b>(13,606,332)</b>
Earnings per share			
<b>- Basic/diluted losses per share (Cents)</b>	23	<b>(0.36)</b>	<b>(5.39)</b>

\* Refer Note 29 for details regarding the restatement as a result of an error.

The above Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		As at 31 December 2023	As at 31 December 2022 (Restated*)
	Notes	\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	343,013	809,597
Trade and other receivables	7	1,266,031	2,916,564
Other assets	8	485,695	578,740
<b>Total Current Assets</b>		<b>2,094,739</b>	<b>4,304,901</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	12,114,905	13,747,339
Right-of-use assets	10	136,243	299,113
Other assets	8	66,000	66,000
<b>Total Non-Current Assets</b>		<b>12,317,148</b>	<b>14,112,452</b>
<b>Total Assets</b>		<b>14,411,887</b>	<b>18,417,353</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	2,037,868	3,710,916
Contract liabilities	12	535,401	101,120
Borrowings	13	3,293,798	2,801,603
Employee benefits	14	375,365	207,190
Lease liabilities	10	126,200	137,841
<b>Total Current Liabilities</b>		<b>6,368,632</b>	<b>6,958,670</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability	15	433,038	2,648,710
Employee benefits	14	37,132	-
Lease liabilities	10	33,862	230,561
<b>Total Non-Current Liabilities</b>		<b>504,032</b>	<b>2,879,271</b>
<b>Total Liabilities</b>		<b>6,872,664</b>	<b>9,837,941</b>
<b>Net Assets</b>		<b>7,539,223</b>	<b>8,579,412</b>
<b>Equity</b>			
Contributed equity	16	46,813,485	46,812,684
Reserves	17	8,822,899	8,772,899
Accumulated losses		(48,097,161)	(47,006,171)
<b>Equity</b>		<b>7,539,223</b>	<b>8,579,412</b>

\* Refer Note 29 for details regarding the restatement as a result of an error.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Contributed equity	Other contributed equity	Accumulated losses	Reserves	Total
	\$	\$	\$	\$	\$
<b>At 1 January 2022</b>	<b>44,817,619</b>	<b>175,000</b>	<b>(35,969,316)</b>	<b>11,471,792</b>	<b>20,495,095</b>
<b>Loss for the year (restated*)</b>	-	-	<b>(13,606,332)</b>	-	<b>(13,606,332)</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss (restated*)</b>	-	-	<b>(13,606,332)</b>	-	<b>(13,606,332)</b>
Foreign currency translation written back on deconsolidation of foreign subsidiaries	-	-	-	(3,203,972)	(3,203,972)
Movement in accumulated losses and reserves on deconsolidation of deregistered subsidiaries	-	-	2,569,477	442,079	3,011,556
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued in the year (net)	2,058,065	-	-	-	2,058,065
Costs of capital raising	(63,000)	-	-	-	(63,000)
Performance shares cancelled	-	(175,000)	-	-	(175,000)
Options vesting expense and expiration	-	-	-	63,000	63,000
<b>Total transactions with owners</b>	<b>1,995,065</b>	<b>(175,000)</b>	-	<b>63,000</b>	<b>1,883,065</b>
<b>At 31 December 2022 (restated*)</b>	<b>46,812,684</b>	-	<b>(47,006,171)</b>	<b>8,772,899</b>	<b>8,579,412</b>
<b>At 1 January 2023</b>	<b>46,812,684</b>	-	<b>(47,006,171)</b>	<b>8,772,899</b>	<b>8,579,412</b>
<b>Loss for the year</b>	-	-	<b>(1,090,990)</b>	-	<b>(1,090,990)</b>
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive loss</b>	-	-	<b>(1,090,990)</b>	-	<b>(1,090,990)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Credit for costs of shares issued in the year ending 31 December 2022	801	-	-	-	801
Options vesting expense and expiration	-	-	-	50,000	50,000
<b>Total transactions with owners</b>	<b>801</b>	-	-	<b>50,000</b>	<b>50,801</b>
<b>At 31 December 2023</b>	<b>46,813,485</b>	-	<b>(48,097,161)</b>	<b>8,822,899</b>	<b>7,539,223</b>

\* Refer Note 29 for details regarding the restatement as a result of an error.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2023

		Year ended 31 December 2023	Year ended 31 December 2022 (Restated*)
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		8,187,972	1,774,817
Payments to suppliers and employees		(8,693,782)	(3,977,137)
Research and development tax incentive received		421,542	1,107,248
Finance costs		(619,103)	(131,320)
<b>Net cash outflow from operating activities</b>	20	<b>(703,371)</b>	<b>(1,226,392)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(100,094)	(83,275)
Proceeds from disposal of property, plant and equipment		975	-
<b>Net cash outflow from investing activities</b>		<b>(99,119)</b>	<b>(83,275)</b>
<b>Cash flows from financing activities</b>			
Principal payment of lease liabilities		(156,289)	(406,752)
Principal payment of borrowings		(2,673,158)	(2,698,589)
Proceeds from borrowings		3,165,353	-
Proceeds from shares issued (net of costs)		-	2,889,036
<b>Net cash inflow/(outflow) from financing activities</b>		<b>335,906</b>	<b>(216,305)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(466,584)</b>	<b>(1,525,972)</b>
Cash and cash equivalents at the beginning of the financial year		809,597	2,335,569
<b>Cash and cash equivalents at end of the year</b>	6	<b>343,013</b>	<b>809,597</b>

\* Refer Note 29 for details regarding the restatement as a result of an error.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2023

## 1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of Epsilon Healthcare Limited, (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2023.

### Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act* 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are reported below. They have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 31 December 2023.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Accounting policies

#### a. 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 28.

#### b. Principles of Consolidation

A controlled entity is any entity Epsilon Healthcare Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the

consolidated financial statements as well as their results for the year ended.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the Company.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the Consolidated Statement of Financial Position and in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### c. Going Concern

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

As disclosed in the financial statements, the consolidated Group incurred a loss of \$1,090,990 for the year ended 31 December 2023 and had net cash outflows from operating activities of \$703,371 for the year ended 31 December 2023. In addition, the consolidated Group has outstanding loan facilities payable as disclosed in Note 13. The ability of the consolidated entity to continue as a going concern is dependent upon a number of factors, including the ability to raise additional capital, source alternative funding, increase revenue and generate profits, and potential sale of property.

These factors can indicate a level of uncertainty and may cast doubt as to whether the Company can continue as a going concern.

The Directors believe that there are reasonable grounds to believe that the Company will be able to continue as a going concern, after consideration of the following factors:

- (a) The consolidated Group has cash and cash equivalents of \$343,013 as at 31 December 2023;

- (b) The consolidated Group has net assets of \$7,539,223 and total assets of \$14,411,887 as at 31 December 2023;
- (c) As disclosed in Note 27, Events Occurring After The Balance Date, the Company has been able to obtain new and replacement finance facilities;
- (d) The Company is in the process of selling its real property asset which will repay debt;
- (e) The Company proposes to raise additional \$1 million capital in the short term; and
- (f) The consolidated Group's forecast profit and loss indicates profitable trading operations post 2nd quarter 2025.

The Directors believe that Epsilon will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if Epsilon does not continue as a going concern.

#### **d. Foreign currency translation**

##### **i. Functional currency**

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

##### **ii. Presentation currency**

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance date. Value differences arising from movements in the exchange rates are recognised in the Foreign Currency Translation Reserve.

#### **e. 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.

#### **f. Revenue recognition**

Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any

expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

#### g. Income tax

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (benefit) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### h. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows. There is provision made in the Statement of Cash Flows to disclose the applicable GST refunds/payments that have been remitted to the ATO to accurately show the cash position of Epsilon Healthcare Limited.

#### i. Leases

The Group had early adopted AASB 16 Leases for the first time in the 2018 financial year.



Under AASB 16, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

#### j. Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

#### k. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

#### l. Trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair



value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and it therefore measures them subsequently 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 and are therefore all classified as current.

The Group has applied the AASB 9 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 shared credit risk characteristics and the days overdue.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as an expense within operating profit. Subsequent recoveries of amounts previously written off are credited against the same expense line item.

#### m. Other receivables

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

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as 'impairment expenses.' When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the

Statement of Profit or Loss and Other Comprehensive Income.

#### n. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

#### o. Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

#### p. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

#### q. Employee benefits

##### i. Wages and salaries and annual leave

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

##### ii. Retirement benefit obligations

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to

the extent that a cash refund or a reduction in the future payments is available.

**r. Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**s. Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

**t. Contributed equity**

Costs directly attributable to the issue of new shares are shown as a deduction from the equity proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

**u. Property, plant and equipment**

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

***Land, buildings and improvements***

Freehold land and buildings are carried at cost, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

***Plant and equipment***

Freehold land and buildings are carried at cost, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus

directly in equity; all other decreases are recognised in profit or loss.

***Manufacturing facility***

Manufacturing facility assets are measured under the revaluation model and accounted for at their fair value, being the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction, based on periodic valuations by external independent valuers or director valuations, less subsequent depreciation.

Increases in the carrying amount arising on revaluation of Manufacturing facility assets are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same assets are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

***Depreciation***

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

Website development – 3 to 5 years

Land, buildings and improvements – 25 years

Manufacturing facility and related equipment – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

## v. Intangible assets

### *Patents*

Patents have a finite life and are carried at cost less any accumulated amortisation and impairment losses and each has an estimated useful life of 15 years.

### *Software development costs*

Expenditure on the research phase of projects to develop new customised software and/or hardware is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Costs that are directly attributable include employees' (other than Directors') costs incurred on software and hardware development, along with an appropriate portion of relevant overheads and borrowing costs.

### *Clinical database*

Clinical database acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

## w. Inventories

Inventories are stated at standard cost or the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of purchased goods are assigned using the first in, first out cost formula. Manufactured goods are recorded at standard costs which are considered to approximate actual costs. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Medicinal cannabis products manufactured by the Group are valued using a standard costing process based on management's estimated costs on of materials, labour and overhead for a selected period of time and for a prescribed set of working conditions.

## x. Earnings per share

### *Basic earnings per share*

Basic earnings per share is calculated by dividing the results attributable to the owners of the Company, 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 consider 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.

## y. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## z. 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 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 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.

#### aa. Research and Development

In FY2018, Canndeo Ltd, a subsidiary of the Group, received a Medicinal Cannabis Licence. The licence provides authorisation for Canndeo to perform research and development of cannabis for medicinal purposes.

Expenditure on the research phase of projects to develop new cannabis strains and products is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software
- the developed asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

#### bb. Comparative information

Comparative information presented is for the Group for the year ended 31 December 2022.

#### cc. New, revised or amending Accounting Standards and Interpretations adopted

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

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

#### dd. **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 31 December 2023. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

## **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.

### **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 fair value less cost to sell. The estimation of fair value requires significant judgment and is subject to estimation uncertainty. Management have estimated the price at which an orderly transaction to sell its assets would take place between market participants at the measurement date under current market conditions

### **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.

### **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.

Due to the loss of the Group, management considers it prudent not to raise any deferred tax assets at this point in time.

### **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of property, plant and equipment and land and buildings are recognised, net of tax, in other comprehensive

income and accumulated in reserves in shareholders' equity.

To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings. Refer to Note 24 for assumptions of fair value of assets.

There is significant judgment and estimation uncertainty with regards to the methodology used to revalue assets and determine the estimated revalued amounts.

### 3. Revenue

The Group's revenue disaggregated by operating segment is as follows:

#### For the Year Ended 31 December 2023

	Pharmacy	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Australia	1,234,725	5,416,795	-	6,651,520

#### For the Year Ended 31 December 2022

	Pharmacy	Medicinal Cannabis	Unallocated	Total
	\$	\$	\$	\$
<b>Revenue</b>				
Australia	1,450,554	2,801,185	400,062	4,651,801

### 4. Interests in subsidiaries

#### Accounting subsidiaries

	Country of Incorporation	Percentage Owned 2023	Percentage Owned 2022
Canndeo Pty Ltd	Australia	100%	100%
THC Pharma Pty Ltd	Australia	100%	100%
Metra Holdings Pty Ltd	Australia	100%	100%
Tetra Pty Ltd	Australia	100%	100%
Medimar Pty Ltd	Australia	100%	100%
Demimar Pty Ltd	Australia	100%	100%

## 5. Income tax expense

a. The components of tax expense/(benefit) comprise:

	For the Year Ending 31 December 2023	For the Year Ending 31 December 2022
	\$	\$
Current tax	-	-
Deferred tax liability released	(2,215,672)	(536,650)
	<b>(2,215,672)</b>	<b>(536,650)</b>

b. Numerical reconciliation of income tax expense to prima facie tax payable

	For the Year Ending 31 December 2023	For the Year Ending 31 December 2022
	\$	\$
Loss from continuing operations before income tax expense	(3,306,662)	(14,142,982)
<b>Tax at the Australian tax rate of 25% (2022: 25%)</b>	<b>(826,665)</b>	<b>(3,535,745)</b>
<b>Add tax effect of:</b>		
Carried forward tax benefit not recognized in the current year	-	2,999,095
<b>Less tax effect of:</b>		
Carried forward tax benefit recognized in the current year	(1,389,007)	-
<b>Total income tax expense/(benefit)</b>	<b>(2,215,672)</b>	<b>(536,650)</b>

The Group has carried forward tax losses of approximately \$37,293,428 (2022: \$36,466,763). The benefit of these losses will only be recognised where it is probable that future taxable income will be available against which the benefits of the deferred tax asset can be utilised.

## 6. Cash and cash equivalents

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Cash at bank and in hand	343,013	809,597
<b>Balance at end of the year</b>	<b>343,013</b>	<b>809,597</b>



## 7. Trade and other receivables

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
<i>Trade receivables</i>		
Trade receivables with customers	1,126,311	2,161,265
Allowance for expected credit losses	(162,651)	(22,362)
	963,660	2,138,903
<i>Other receivables</i>		
Accrued revenue – including research and development tax incentive	302,371	777,661
<b>Balance at end of the year</b>	<b>1,266,031</b>	<b>2,916,564</b>

The ageing of the receivables and allowance for the expected credit losses provided for above are as follows:

	Expected Credit Loss Rate		Carrying Amount		Allowance for Expected Credit Losses	
	2023	2022	2023	2022	2023	2022
	%	%	\$	\$	\$	\$
Not overdue	-	-	452,006	182,324	-	-
0 to 3 months overdue	22	-	654,125	472,527	142,471	-
3 to 6 months overdue	100	3	20,180	1,506,414	20,180	22,362
Over 6 months overdue	-	-	-	-	-	-
<b>Balance at end of the year</b>			<b>1,126,311</b>	<b>2,161,265</b>	<b>162,651</b>	<b>22,362</b>

Movements in the allowance for expected credit losses are as follows:

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Balance at the beginning of the year	22,362	148,253
Net movement for the year	140,289	(125,891)
<b>Balance at end of the year</b>	<b>162,651</b>	<b>22,362</b>

## 8. Other assets

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
Prepayments	455,695	547,143
Other	30,000	31,597
	485,695	578,740
<b>Non-current</b>		
Deposits paid	66,000	66,000
<b>Balance at end of the year</b>	<b>551,695</b>	<b>644,740</b>

## 9. Property, plant and equipment

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Plant and equipment – at cost	1,633,431	1,875,494
Accumulated depreciation	(584,772)	(631,251)
	1,048,659	1,244,243
Manufacturing facility and other equipment – at valuation	11,962,198	11,962,198
Accumulated depreciation	(3,243,242)	(2,132,305)
	8,718,956	9,829,893
Land, buildings and improvements – at cost	2,287,290	2,645,110
Accumulated depreciation	-	(71,907)
	2,287,290	2,573,203
Website and other software – at cost	300,000	370,000
Accumulated depreciation	(240,000)	(270,000)
	60,000	100,000
<b>Balance at end of the year</b>	<b>12,114,905</b>	<b>13,747,339</b>

See Note 2 and Note 24 for significant judgement in relation to the revaluation of the manufacturing facility and other equipment.

## 9. Property, plant and equipment (continued)

	Plant and Equipment – at cost	Manufacturing Facility and Other Equipment – at valuation	Land, Building and Improvements – at cost	Website and Other Software – at cost	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2023	1,244,243	9,829,893	2,573,203	100,000	13,747,339
Acquisitions in the year	100,094	-	-	-	100,094
Disposals in the year	(107,756)	-	(268,022)	-	(375,778)
Depreciation expense	(187,922)	(1,110,937)	(17,891)	(40,000)	(1,356,750)
<b>Balance at 31 December 2023</b>	<b>1,048,659</b>	<b>8,718,956</b>	<b>2,287,290</b>	<b>60,000</b>	<b>12,114,905</b>
Balance at 1 January 2022	1,372,126	13,090,440	2,591,094	152,734	17,206,394
Acquisitions in the year	83,275	-	-	-	83,275
Disposals in the year	-	-	-	-	-
Depreciation expense	(211,158)	(1,113,946)	(17,891)	(52,734)	(1,395,729)
Impairment	-	(2,146,601)	-	-	(2,146,601)
<b>Balance at 31 December 2022</b>	<b>1,244,243</b>	<b>9,829,893</b>	<b>2,573,203</b>	<b>100,000</b>	<b>13,747,339</b>

## 10. Leases and right-of-use assets

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b><i>Right-of-Use Assets - Land and Buildings</i></b>		
Balance at beginning of the year	299,113	421,472
Additions	-	-
Disposal	-	-
Impairment/termination	(40,800)	-
Depreciation	(122,070)	(122,359)
<b>Balance at end of the year</b>	<b>136,243</b>	<b>299,113</b>

The Group leased office and warehouse facilities at 5 Goodyear Street, Southport, Queensland. The lease commenced 1 April 2020 and has an expiry date of 31 March 2025 with 3 options to renew for a further 5 years of each option after that date. The annual rent is to be increased by the Consumer Price Index or 3.5%, whichever is greater on each anniversary date.

## 10. Leases and right-of-use assets (continued)

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Lease Liabilities		
Current	126,200	137,841
Non-current	33,862	230,561
<b>Balance at end of the year</b>	<b>160,062</b>	<b>368,402</b>

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Lease Liabilities		
<i>Land and buildings</i>		
Balance at beginning of the year	368,402	495,283
Additions	-	-
Disposal/termination	(72,050)	-
Interest expense	38,232	52,897
Lease payments – cash outflow	(174,522)	(179,778)
<b>Balance at end of the year</b>	<b>160,062</b>	<b>368,402</b>

## 11. Trade and other payables

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
Trade payables	1,202,195	3,061,239
Accrued expenses	474,424	464,367
GST payable	361,249	185,310
<b>Balance at end of the year</b>	<b>2,037,868</b>	<b>3,710,916</b>

## 12. Contract liabilities

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
Contract liabilities	535,401	101,120
<b>Balance at end of the year</b>	<b>535,401</b>	<b>101,120</b>

## 13. Borrowings

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
Loans - secured	2,850,000	2,485,208
Insurance funding loans - secured	383,798	316,395
Other loan - unsecured	60,000	-
<b>Balance at end of the year</b>	<b>3,293,798</b>	<b>2,801,603</b>

The Group refinanced its previous loan facility on 21 August 2023. This new loan facility bears interest at 15% per annum, default interest of 24%, and was repayable by 19 November 2023. The loan was allowed to continue from the repayable date on the same terms and conditions. The loan is secured to the lender by a fixed and floating charge over all of the assets of both Epsilon Pharma Pty Limited and Epsilon Healthcare Limited, charge of the first registered mortgage over the property located at 18 Olympic Circuit, Southport, Queensland, and an unlimited guarantee and indemnity given by deed by Epsilon Healthcare Limited.

The insurance funding loans are loan facilities to finance the cost of the Group's insurance premiums. These funding loans are secured over any remaining outstanding insurance premiums and are repayable in monthly equal instalments.

The other loan is an unsecured working capital line of credit facility with an interest rate of 15% per annum, a default interest rate additional of 5% per month, and was repayable in instalments. This facility was extended and came to an end on 1 November 2023.

Subsequently to balance date, the Group has obtained additional new loan financing facilities – refer to Note 27.

## 14. Employee benefits

	As at 31 December 2023	As at 31 December 2022
	\$	\$
<b>Current</b>		
Accrued wages	105,099	1,504
Accrued superannuation	62,955	50,814
Provision for annual leave	207,311	154,872
	375,365	207,190
<b>Non-current</b>		
Provision for long service leave	37,132	-
<b>Total balance at end of the year</b>	<b>412,497</b>	<b>207,190</b>

## 15. Deferred tax liabilities

Deferred tax liability comprises temporary differences attributable to:

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Revaluation of manufacturing facility and related equipment	2,179,739	2,457,473
Tax losses carried forward	(1,746,701)	191,237
<b>Balance at end of the year</b>	<b>433,038</b>	<b>2,648,710</b>

	As at 31 December 2023		
	Revaluation of Manufacturing Facility and Related Equipment	Tax Losses	Total
	\$	\$	\$
At the beginning of the year	2,457,473	191,237	2,648,710
Charged/(credited) to profit or loss	(277,734)	(1,937,938)	(2,215,672)
<b>Balance at end of the year</b>	<b>2,179,739</b>	<b>(1,746,701)</b>	<b>433,038</b>

	As at 31 December 2022		
	Revaluation of Manufacturing Facility and Related Equipment	Tax Losses	Total
	\$	\$	\$
At the beginning of the year	3,403,515	(218,155)	3,185,360
Charged/(credited) to profit or loss	(946,042)	409,392	(536,650)
<b>Balance at end of the year</b>	<b>2,457,473</b>	<b>191,237</b>	<b>2,648,710</b>

## 16. Contributed equity

### a. Share capital

	As at 31 December 2023		As at 31 December 2022	
	No. of Shares	\$	No. of Shares	\$
At the beginning of the year	300,354,011	46,812,684	222,706,949	44,817,619
Share placement (net)	-	-	77,647,062	2,058,065
Costs of capital raising	-	801	-	(63,000)
<b>Balance at end of the year</b>	<b>300,354,011</b>	<b>46,813,485</b>	<b>300,354,011</b>	<b>46,812,684</b>

## 16. Contributed equity (continued)

### Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

### 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 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 Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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.

The capital risk management policy remains unchanged from the 31 December 2020 Annual Report.

## 17. Reserves

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Options reserve	113,000	63,000
Asset revaluation reserve	8,709,899	8,709,899
<b>Balance at end of the year</b>	<b>8,822,899</b>	<b>8,772,899</b>

### a. Options reserve

	As at 31 December 2023		As at 31 December 2022	
	No. of Options	\$	No. of Options	\$
At the beginning of the year	30,000,000	63,000	13,400,000	689,842
Options issued to KMPs	5,000,000	50,000	-	-
Free attaching options issued to share placement subscribers	-	-	15,000,000	-
Options issued to advisors	-	-	15,000,000	63,000
Options lapsed	-	-	(13,400,000)	(689,842)
<b>Balance at end of the year</b>	<b>35,000,000</b>	<b>113,000</b>	<b>30,000,000</b>	<b>63,000</b>

## 17. Reserves (continued)

### *Options reserve*

The reserve records the cumulative value of employee service received for the issue of share options, options issued for services related to share placement, and options issued to share placement subscribers. When the option is exercised the amount in the share option reserve is transferred to share capital.

### b. Asset revaluation reserve

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Balance beginning of financial year	8,709,899	10,319,850
Movement in the financial year	-	(1,609,951)
<b>Balance at end of the year</b>	<b>8,709,899</b>	<b>8,709,899</b>

### *Revaluation surplus reserve*

The reserve is used to recognise increments and decrements in the fair value of the manufacturing facility.

## 18. Segment information

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's two (2) main operating segments are:

- Contract Development and Manufacturing activities; and
- Telehealth medical practice services.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

### *Intersegment transactions*

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### *Intersegment receivables, payables and loans*

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

### *Major customers*

The main source of revenue for these operating segments in the year to 31 December 2023 are:

- Contract Development and Manufacturing activities as a CDMO for Australian domiciled and international clients in the area of Active Pharmaceutical Ingredient (API) manufacture and finished formulation production; and
- Telehealth medical practice services.

The revenues and profit generated by each of the Group's operating segments and segment assets and liabilities are summarised as follows:



## 18. Segment information (continued)

Segment performance

31 December 2023				
	Telehealth Medical Practice	Contract Development and Manufacturing	Unallocated	Total
	\$	\$	\$	\$
<b>Revenue</b>				
External sales	5,880	5,416,795	-	5,422,675
External services	1,228,845	-	-	1,228,845
<b>Total segment revenue</b>	<b>1,234,725</b>	<b>5,416,795</b>	<b>-</b>	<b>6,651,520</b>
<b>Depreciation and amortisation</b>	<b>808</b>	<b>1,352,233</b>	<b>125,779</b>	<b>1,478,820</b>
<b>(Loss)/profit after income tax expense</b>	<b>(213,861)</b>	<b>(1,875,771)</b>	<b>998,642</b>	<b>(1,090,990)</b>
<b>Segment Assets</b>	<b>252,786</b>	<b>1,492,517</b>	<b>12,666,584</b>	<b>14,411,887</b>
<b>Segment Liabilities</b>	<b>296,104</b>	<b>5,564,073</b>	<b>1,012,487</b>	<b>6,872,664</b>
31 December 2022				
	Telehealth Medical Practice	Contract Development and Manufacturing	Unallocated	Total
	\$	\$	\$	\$
<b>Revenue</b>				
External sales	-	2,801,185	-	2,801,185
External services	1,450,554	-	400,062	1,850,616
<b>Total segment revenue</b>	<b>1,450,554</b>	<b>2,801,185</b>	<b>400,062</b>	<b>4,651,801</b>
<b>Depreciation and amortisation</b>	<b>808</b>	<b>1,343,406</b>	<b>173,874</b>	<b>1,518,088</b>
<b>(Loss)/profit after income tax expense</b>	<b>601,177</b>	<b>(4,669,880)</b>	<b>(9,537,629)</b>	<b>(13,606,332)</b>
<b>Segment Assets</b>	<b>1,158,285</b>	<b>3,265,494</b>	<b>13,993,574</b>	<b>18,417,353</b>
<b>Segment Liabilities</b>	<b>215,015</b>	<b>5,511,278</b>	<b>4,111,648</b>	<b>9,837,941</b>

## 19. Share based payments

The Group made the below share-based payments in the financial year:

Description	Shares \$	Options \$	Total \$
<b>2023</b>			
Periodic vesting expense on current year issued securities	-	50,000	50,000
Shares issued to advisors and KMP during the year	-	-	-
	-	<b>50,000</b>	<b>50,000</b>

**2022 – nil**

### Employee options

The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

Options are granted under the plan for no consideration and carry no dividend or voting rights.

Set out below are summaries of options granted under the proposed plan as at the end of the year:

	31 December 2023		31 December 2022	
	Average exercise price per option	No. of Options	Average exercise price per option	No. of Options
At the beginning of the year	0.36	2,700,000	0.36	13,400,000
Granted during the year	0.05	5,000,000	-	-
Lapsed during the year	0.36	(2,700,000)	0.36	(10,700,000)
<b>Balance at end of the year</b>	-	<b>5,000,000</b>	-	<b>2,700,000</b>
<b>Vested and exercisable</b>	-	-	-	-

Share options outstanding at the end of the year have the following:

- Exercise price: \$0.05;
- Grant date: 24 July 2023;
- Expiry date: 6 September 2025;
- Share options balance as at 31 December 2023: 5,000,000;
- Weighted average remaining contractual life of options outstanding at end of year: 1.68 years.

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was \$0.01 per option. The fair value at grant was determined using the Black-Scholes Model that considers the exercise price, the term of the options, the impact of dilution (where material), the share at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk-free interest rate for the term of the options and the correlations and volatilities of the peer group companies.

The model inputs for options granted during the year ended 31 December 2023 included:

- Exercise price: \$0.05;
- Grant date: 24 July 2023;
- Expiry date: 6 September 2025;
- Share price at grant date: \$0.024;

## 19. Share based payments (continued)

- (e) Expected price volatility of the company's shares: 86.37%;  
(f) Expected dividend yield: 0%;  
(g) Risk-free interest rate: 4.03%.

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## 20. Reconciliation of loss after income tax to net cash outflow from operating activities

	For the Year Ending 31 December 2023	For the Year Ending 31 December 2022
	\$	\$
<b>Loss for the year</b>	(1,090,990)	(13,606,332)
Depreciation and amortisation expense	1,478,820	1,518,088
Impairment expense	-	6,909,586
Share-based payments	50,000	-
Loan written off on derecognition of subsidiaries	-	1,771,223
Loss on disposal of property, plant and equipment	367,480	13,808
Foreign exchange (loss)/gain	-	1,036
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	1,708,702	(566,699)
(Increase)/decrease in other assets	81,794	187,183
(Increase)/decrease in inventories	-	2,420,343
Increase/(decrease) in trade and other payables	(1,619,499)	641,045
Increase/(decrease) in contract liabilities	434,281	(57,304)
Increase/(decrease) in employee benefits	101,713	78,281
Increase/(decrease) in deferred tax liability	(2,215,672)	(536,650)
<b>Net cash outflow from operating activities</b>	<b>(703,371)</b>	<b>(1,226,392)</b>

## 21. Financial risk management

### a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and inter-entity loans. The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

#### Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant.

## 21. Financial risk management (continued)

There is considerable concentration of credit risk within the Group as it only has a limited number of customers at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

	As at 31 December 2023	As at 31 December 2022
	\$	\$
Cash and cash equivalents	343,013	809,597
Trade and other receivables	1,266,031	2,916,564

### Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

### b. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
2023	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	-	343,013	-	-	343,013
Trade and other receivables	-	1,266,031	-	-	1,266,031
<b>Total financial assets</b>		<b>1,609,044</b>	<b>-</b>	<b>-</b>	<b>1,609,044</b>
<b>Financial Liabilities</b>					
Trade and other payables	-	2,037,868	-	-	2,037,868
Loans	22	-	-	3,293,798	3,293,798
<b>Total financial liabilities</b>		<b>2,037,868</b>	<b>-</b>	<b>3,293,798</b>	<b>5,331,666</b>

## 21. Financial risk management (continued)

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
2022	%	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	-	809,597	-	-	809,597
Trade and other receivables	-	2,916,564	-	-	2,916,564
<b>Total financial assets</b>		<b>3,726,161</b>	<b>-</b>	<b>-</b>	<b>3,726,161</b>

<b>Financial Liabilities</b>					
Trade and other payables	-	3,710,916	-	-	3,710,916
Loans	15	-	-	2,801,603	2,801,603
<b>Total financial liabilities</b>		<b>3,710,916</b>	<b>-</b>	<b>2,801,603</b>	<b>6,512,519</b>

	Carrying amount	Contractual cash flow due 1 to 3 months	Contractual cash flow due 3 months to 1 year	Contractual cash flow due 1 to 5 years
2023	\$	\$	\$	\$
<b>Financial Assets</b>				
Trade and other receivables	1,266,031	1,266,031	-	-
<b>Total financial assets</b>	<b>1,266,031</b>	<b>1,266,031</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>				
Trade and other payables	2,037,868	2,037,868	-	-
Loans	3,293,798	-	3,293,798	-
<b>Total financial liabilities</b>	<b>5,331,666</b>	<b>2,037,868</b>	<b>3,293,798</b>	<b>-</b>

<b>2022</b>				
<b>Financial Assets</b>				
Trade and other receivables	2,916,564	2,916,564	-	-
<b>Total financial assets</b>	<b>2,916,564</b>	<b>2,916,564</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>				
Trade and other payables	3,710,916	3,710,916	-	-
Loans	2,801,603	-	2,801,603	-
<b>Total financial liabilities</b>	<b>6,512,519</b>	<b>3,710,916</b>	<b>2,801,603</b>	<b>-</b>

## 21. Financial risk management (continued)

### c. Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and notes to the financial statements.

## 22. Auditor's remuneration

	For the Year Ending 31 December 2023	For the Year Ending 31 December 2022
	\$	\$
<b>A D Danieli &amp; Co</b>		
- Audit and review of the financial statements	45,000	30,000
<b>RSM Australia Partners</b>		
- Review of the financial statement	-	31,000

## 23. Earnings per share

	For the Year Ending 31 December 2023	For the Year Ending 31 December 2022
	Cents	Cents
Basic earnings per share	(0.36)	(5.39)
Diluted earnings per share	(0.36)	(5.39)
Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
	No. of Shares	No. of Shares
- Basic earnings per share	300,354,011	252,374,813
- Diluted earnings per share	300,354,011	252,374,813

The loss used to calculate earnings per share was \$1,090,990 (2022: restated loss \$13,606,332).

## 24. Fair Value Measurement

The Group measures and recognises specialised plant and equipment assets at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

## 24. Fair Value Measurement (continued)

### a. Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorized into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

### Valuation Techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transaction for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risk. When selecting a valuation technique, the Group gives priority to those techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy.

### *Recurring fair value measurements*

31 December 2023				
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Total non-financial assets recognized at fair value on a recurring basis	-	-	8,718,956	8,718,956
<b>Total non-financial assets recognised at fair value</b>	<b>-</b>	<b>-</b>	<b>8,718,956</b>	<b>8,718,956</b>

## 24. Fair Value Measurement (continued)

a. Valuation techniques and inputs used to measure Level 3 fair values

Description Non-financial assets	Fair value (\$) at 31 December	Valuation technique	Inputs used
	2023		
Manufacturing facility – machinery and other equipment	8,718,956	Combination of market approach and depreciated replacement cost approach	Gross replacement cost, depreciation asset useful life, asset prices of identical or similar assets and various other inputs and factors.
	<b>8,718,956</b>		

The manufacturing facility was last revalued on 23 February 2021 based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of manufacturing facility being valued. The directors believe that the carrying value represents the fair value at balance date.

The fair value of the facility was determined used a combination of the market approach and the Depreciated Replacement Cost (DRC) method. The DRC method is most commonly used for the valuation of specialised assets. This is because transactions involving the sale of specialised assets are relatively infrequent and when they do occur, the assets are often sold as part of a going concern business. In such situations, the values attributable to each individual asset may not be agreed by a buyer or seller as part of the transaction and in any event are typically not disclosed.

This method calculates the current market value of an asset based on the gross replacement cost of a modern equivalent replacement asset which has been optimised for the particular purpose, which is then adjusted for depreciation to reflect the reduced lifespan of the original asset.



## 25. Related party transactions

### a. Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report.

### b. Transactions with other related parties

	As at/Year Ended 31 December 2023	As at/Year Ended 31 December 2022
	\$	\$
<b>Services received</b>		
Consultancy fees paid to Watercrest Capital Pty Limited, a related party of Mr Josh Cui.	479,350	-
Corporate services fees paid to Winx Capital Pty Limited, a related party of an associate of Mr Josh Cui.	220,000	-
Office rental fees paid to Watercrest Capital Pty Limited, a related party of Mr Josh Cui.	41,988	-
Accounting services provided by KS Black & Co, a related party of Mr Stuart Cameron.	124,210	-
<b>Total services received</b>	<b>865,548</b>	<b>-</b>
<b>Interest paid</b>		
Interest paid on a secured loan balance provided by Australia Oracles Holding Pty Limited, a related party of an associate of Mr Josh Cui.	120,153	-
Interest paid on an unsecured loan balance provided by Alpha Securities Pty Limited, a related party of an associate of Mr Josh Cui.	14,372	-
<b>Total interest paid</b>	<b>134,525</b>	<b>-</b>
<b>Liabilities</b>		
Current liabilities		
Secured loan balance provided by Australia Oracles Holding Pty Limited, a related party of an associate of Mr Josh Cui.	2,850,000	-
Unsecured loan balance provided by Alpha Securities Pty Limited, a related party of an associate of Mr Josh Cui.	60,000	-
<b>Total loans payable</b>	<b>2,910,000</b>	<b>-</b>

All payments to related parties are on arms' length terms and at rates comparable to the market rate or average for these contracts. All contracts have received Board approval.

There were no related party transactions aside from those listed in the Remuneration Report.

## 26. Contingent assets and liabilities

The Group did not have any other contingent assets or liabilities at 31 December 2023 (31 December 2022: Nil).

## 27. Events occurring after the balance date

Since the end of the reporting year:

1. The voluntary administrations came to an end on 24 June 2024 for the Company, Epsilon Pharma Pty Limited, and Epsilon Clinics Pty Limited, when creditors of each company voted to accept a Deed of Company Arrangement for each company presented and promoted by Mr Alan Beasley and Mr Peter Giannopoulos.
2. The voluntary administrator removed Mr Josh Cui and Mr Stuart Cameron as company directors on 11 June 2024.
3. The voluntary administrator appointed Mr Peter Giannopoulos and Ms Zoe Hutchings as company directors on 11 June 2024.
4. The cost of the voluntary administration has had an adverse effect on the Company:
  - a. Actual financial administrator costs;
  - b. Actual legal costs for administrator and Company; and
  - c. Disrupted trading operations, loss of opportunities and growth.
5. The Company has entered into the following finance arrangements subsequent to balance date:
  - a. A Syndicated Loan Facility for \$2.6 million was entered into on 24 June 2024 with a maturity date of 24 June 2025.
  - b. A secured loan facility was entered on 24 June 2024 for \$4.626 million to refinance existing debt facilities. This facility expired on 24 December 2024;
  - c. The loan facility in b. above which expired on 24 December 2024 was refinanced with a replacement secured loan facility of \$4.6m with an original expiry date of 20 March 2025 which has been extended to 20 June 2025.
6. On 23 December 2024 the company raised \$720,000 by way of issuing 45 million shares at \$0.016 as a private placement to sophisticated investors.

Apart from the above, there were no other matter or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect:

- a. The Group's operations in future financial years; or
- b. The results of those operations in future financial years; or
- c. The Group's state of affairs in future financial years.

## 28. Parent entity disclosures

### Epsilon Healthcare Limited

As at/Year Ended  
31 December 2023

As at/Year Ended  
31 December 2022  
(Restated\*)

	\$	\$
<b>Financial position</b>		
<b>Assets</b>		
Total current assets	444,512	454,899
Total non-current assets	19,055,320	17,620,708
<b>Total assets</b>	<b>19,499,832</b>	<b>18,075,607</b>
<b>Liabilities</b>		
Total current liabilities	993,097	1,472,273
Total non-current liabilities	-	-
<b>Total liabilities</b>	<b>993,097</b>	<b>1,472,273</b>
<b>Equity</b>		
Contributed equity	46,813,484	46,812,683
Reserves	113,000	63,000
Accumulated losses	(28,419,749)	(30,272,349)
<b>Total equity</b>	<b>18,506,735</b>	<b>16,603,334</b>
<b>Financial performance</b>		
Profit/(loss) for the year	1,852,601	(11,026,977)
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>1,852,601</b>	<b>(11,026,977)</b>

\* Refer Note 29 for details regarding the restatement as a result of an error.

#### *Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

#### *Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2023 (2022: nil).

#### *Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 31 December 2023 (2022: nil).

#### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, 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.

## 29. Correction of material error in writing off of deregistered subsidiaries

During the financial year ended 31 December 2024, there were 4 subsidiary companies discovered not to have been written off as they were deregistered in the year ended 31 December 2022. This error resulted in a material overstatement in the 2022 net assets and understatement in the 2022 accumulated losses. In addition there were share based payments expenses not recorded in the 2022 financial year.

These errors have been corrected by restating each of the affected financial statement line items for the 2022 financial year as follows:

### Statement of financial position - consolidated

	As at 31 December 2022	Increase/(Decrease)	As at 31 December 2022 (Restated)
	\$	\$	\$
Cash and cash equivalents	861,985	(52,388)	809,597
Trade and other receivables	3,145,018	(228,454)	2,916,564
Other assets	756,934	(178,194)	578,740
Property, plant and equipment	15,081,784	(1,334,445)	13,747,339
Right-of-use assets	537,775	(238,662)	299,113
Other assets	116,462	(50,462)	66,000
Trade and other payables	4,653,477	(942,561)	3,710,916
Borrowings	2,550,108	251,495	2,801,603
Employee benefits	627,356	(420,166)	207,190
Lease liabilities	649,291	(280,889)	368,402
<b>Net assets</b>	<b>9,269,896</b>	<b>(690,484)</b>	<b>8,579,412</b>
Contributed equity	46,875,684	(63,000)	46,812,684
Reserves	11,976,871	(3,203,972)	8,772,899
Accumulated losses	(49,582,659)	2,576,488	(47,006,171)
<b>Total equity</b>	<b>9,269,896</b>	<b>(690,484)</b>	<b>8,579,412</b>

## 29. Correction of material error in writing off of deregistered subsidiaries (continued)

### Statement of profit or loss and other comprehensive income – consolidated

	Year Ended 31 December 2022	Profit Increase/(Decrease)	Year Ended 31 December 2022 (Restated)
	\$	\$	\$
<b>Statement of profit or loss (extract)</b>			
Revenue from continuing operations	7,112,194	(2,460,393)	4,651,801
Cost of goods sold	(5,775,254)	2,553,285	(3,221,969)
Other income	263,851	1,078,705	1,342,556
Research and development expenses	(375,557)	375,557	-
Employee benefits expense	(2,575,066)	885,953	(1,689,113)
Depreciation and amortisation expense	(1,855,511)	337,423	(1,518,088)
Impairment expense	(4,472,985)	(2,436,601)	(6,909,586)
Interest	(577,549)	231,376	(346,173)
Office and occupancy expenses	(645,614)	377,460	(268,154)
Administration expenses	(693,307)	(456,103)	(1,149,410)
Foreign exchange (loss)/gain	(19,722)	18,686	(1,036)
Loss on disposal of plant and equipment	(398,212)	384,404	(13,808)
Interest – Leases	(100,077)	46,093	(53,984)
Loan written off on derecognition of subsidiaries	-	(1,771,223)	(1,771,223)
Other expenses (net)	(3,175,752)	(19,043)	(3,194,795)
<b>Loss before income tax</b>	<b>(13,288,561)</b>	<b>(854,421)</b>	<b>(14,142,982)</b>
Income tax benefit/(expense)	-	536,650	536,650
<b>Loss after income tax</b>	<b>(13,288,561)</b>	<b>(317,771)</b>	<b>(13,606,332)</b>
<b>Statement of comprehensive income (extract)</b>			
Loss after income tax	(13,288,561)	(317,771)	(13,606,332)
Other comprehensive income for the year, net of income tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>(13,288,561)</b>	<b>(317,771)</b>	<b>(13,606,332)</b>

## 29. Correction of material error in writing off of deregistered subsidiaries (continued)

### Statement of financial position – parent entity

	As at 31 December 2022	Increase/(Decrease)	As at 31 December 2022 (Restated)
	\$	\$	\$
GST receivable	118,636	(77,273)	41,363
Investments at cost	7,803,799	(7,779,720)	24,079
Loans receivable from subsidiaries	16,603,298	846,548	17,449,846
<b>Net assets</b>	<b>23,613,779</b>	<b>(7,010,445)</b>	<b>16,603,334</b>
Contributed equity	46,875,683	(63,000)	46,812,683
Reserves	-	63,000	63,000
Accumulated losses	(23,261,904)	(7,010,445)	(30,272,349)
<b>Total equity</b>	<b>23,613,779</b>	<b>(7,010,445)</b>	<b>16,603,334</b>

### Statement of profit or loss and other comprehensive income – parent entity

	Year Ended 31 December 2022	Profit Increase/(Decrease)	Year Ended 31 December 2022 (Restated)
	\$	\$	\$
<b>Statement of profit or loss (extract)</b>			
Other income	-	772,727	772,727
Write off of investment in subsidiaries	-	(7,779,720)	(7,779,720)
Write off of subsidiaries' loans	-	(3,452)	(3,452)
<b>Loss before income tax</b>	<b>(4,016,532)</b>	<b>(7,010,445)</b>	<b>(11,026,977)</b>
Income tax expense	-	-	-
<b>Loss after income tax</b>	<b>(4,016,532)</b>	<b>(7,010,445)</b>	<b>(11,026,977)</b>
<b>Statement of comprehensive income (extract)</b>			
Loss after income tax	(4,016,532)	(7,010,445)	(11,026,977)
Other comprehensive income for the year, net of income tax	-	-	-
<b>Total comprehensive income for the year</b>	<b>(4,016,532)</b>	<b>(7,010,445)</b>	<b>(11,026,977)</b>

# DECLARATION BY DIRECTORS

The directors of the Company declare that, in the opinion of the directors:

- a. the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including
  - i. giving a true and fair view of the financial position and performance of the Company and the Group; and
  - ii. complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- b. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
- c. there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the Directors:



**Alan Beasley**

**Chairman**

**28 March 2025**

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# A D Danieli Audit Pty Ltd

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## Independent Auditor's Report To the Members of Epsilon Healthcare Limited ABN 33 614 508 039 And Controlled Entities

### Report on the audit of the Financial Report

#### Opinion

We have audited the consolidated financial report of Epsilon Healthcare Limited and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the effects of the matter described in ***the Basis for Qualified Opinion*** section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including::

- (i) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Qualified Opinion

As disclosed in Note 9 to the financial statements, the Group has carried out an internal valuation of its Plant and Equipment (PE) as of 31 December 2023. However, the Group has relied on a valuation report dated February 2021, which itself is a review of a valuation prepared in 2018, where the physical inspection of the assets was performed. This report does not provide a current valuation, and as such, we have been unable to obtain sufficient appropriate audit evidence to verify the carrying amounts of certain PE assets as of the reporting date.

In accordance with AASB 116 - Property, Plant and Equipment, the Group is required to ensure that assets are properly valued and periodically reviewed for impairment. Given the reliance on the 2021 review, which was based on a valuation of PE made in 2018, we were unable to determine whether the carrying amounts of the PE are accurately stated, particularly in light of changes in market conditions. Specifically:

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1. The **recoverable amounts** for certain assets have not been properly determined, and the Company has relied on **cash flow projections** and **assumptions** to estimate these values.
2. The Group has conducted a current physical inspection but has not obtained an updated independent valuation for PE as of 31 December 2023.
3. The Group has not adequately considered **fair value less costs to sell** in determining the recoverable amount for PE, which may lead to an incorrect valuation.
4. The Group has not adequately tested for impairment in its PE in accordance with AASB 136 - Impairment of Assets, and it has not made the necessary revaluation or impairment provisions for certain assets.

As a result of matters 1, 2, 3 and 4 above, we were unable to obtain sufficient appropriate audit evidence to determine whether the carrying amounts of the PE assets are fairly stated as of 31 December 2023. Consequently, we believe that the financial statements may be misstated and do not comply with Australian Accounting Standards, specifically AASB 116 and AASB 136. The failure to properly test for impairment, determine the recoverable amounts of PE, and account for the revaluation of these assets may have a pervasive effect on the overall fairness of the Group's financial report.

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 & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.



**Key Audit Matters**

In addition to the matter discussed in *the Basis for Qualified Opinion* section, we identified the following key audit matters during the course of our audit. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our *Qualified opinion*.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
<p><i>Going Concern</i></p> <p>As disclosed in Note 1 and Note 27 of the financial report, following operating losses and historical cash flow deficits, there is a degree of uncertainty as to the group’s ability to continue as a going concern through the assessment period.</p> <p>Accordingly, we considered the appropriateness of the going concern assumption, the question as to whether there is a material uncertainty and the adequacy of management’s disclosure to be a key risk.</p>	<p>We have evaluated the appropriateness of management’s assessment regarding going concern by performing the following:</p> <ul style="list-style-type: none"><li>• Analysing budgets prepared by management.</li><li>• Review cash flow forecasts.</li><li>• Review of forecast sales/potential growth, budgeted expenditure and timing of these cash inflows or outflows.</li></ul> <p>We have also had numerous discussions with management about this issue including strategies and initiatives in place to reduce risk of uncertainty regarding going concern. At this stage, there has not been any indicators present that would require a qualified audit opinion to be issued due to material uncertainty regarding going concern. Based on our procedures, we noted that the going concern assessment has been fairly and appropriately disclosed within the financial statements.</p>



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### Opening Balance Restatement

As disclosed in Note 29 of the financial report, the Group identified and corrected prior period errors, resulting in the restatement of the 2022 financial statements.

These restatements impacted various financial statement line items, including total assets, liabilities, and equity.

Given the significance of these adjustments and their potential effect on users' understanding of the financial position and performance of the Group, we considered the restatement of opening balances to be a key audit matter.

Our audit procedures to assess the appropriateness of the opening balance restatement included:

- **Evaluating Management's Restatement Process**  
We reviewed the methodology used by management to identify, quantify, and adjust the prior period errors.
- **Reconciliation and Verification**  
We reconciled the restated amounts to supporting documentation and evaluated the reasonableness of adjustments made to prior-period financial statements.
- **Assessment of Accounting Treatment**  
We assessed whether the adjustments were appropriately accounted for in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- **Disclosure Review**  
We examined the financial statement disclosures to ensure compliance with Australian Accounting Standards and to determine whether they provided sufficient transparency regarding the nature and impact of the restatement.

Based on our procedures, we found that the restatement of opening balances was appropriately accounted for and adequately disclosed in the financial statements.

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### *Events Subsequent to Reporting Date*

As disclosed in Note 27 of the financial report, the Group has events subsequent to reporting date which could materially impact to the financial statement.

- Status of Voluntary administration
- Refinancing of \$2.85m related party loan
- Changes in group structure

Given the significance of these events and their potential effect on users' understanding of the financial position and performance of the Group, we considered the subsequent event to be a key audit matter.

Our audit procedures to assess the appropriateness of the subsequent events included:

- **Review of Voluntary Administration Conclusion**  
Obtaining and reviewing documentation relating to the conclusion of the voluntary administration, including Deeds of Company Arrangement and creditor resolutions;
- **Assessment of Loan Refinancing**  
Assessing the terms and accounting implications of the refinancing of the related party loan;
- **Evaluation of Group Structural Changes**  
Evaluating the impact of changes in the Group's structure, including updates to directorships and shareholding interests;
- **Compliance with Accounting Standards**  
Considering whether these events were appropriately disclosed in accordance with AASB 110 Events after the Reporting Period;
- **Review of Governance and Public Announcements**  
Reviewing board meeting minutes, legal correspondence, and publicly available announcements up to the date of signing the auditor's report;
- **Assessment of Financial Report Disclosures**  
Assessing the adequacy of financial report disclosures to ensure transparency and relevance for users of the financial statements.

Based on the audit procedures performed, we found that the subsequent events were appropriately disclosed and accounted for in the financial report.

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**Material Uncertainty Relating to Going Concern**

We draw attention to Note 1 in the financial report, which states that the Group had cash and cash equivalents of \$343,013 as of 31 December 2023. Additionally, the Group incurred a net loss of \$1,090,990, experienced a net cash outflow from operating activities of \$703,371, had total current assets of \$2,094,739, and total current liabilities amounted to \$6,368,632.

These conditions, along with the Directors' statements regarding their expectation for the Group's continued operation through additional capital raising or alternative funding as disclosed in Note 27 in the financial report, indicate the existence of a material uncertainty that may cast doubt on the Group's ability to continue as a going concern should they be unable to secure further funding and or liquidate property assets.

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023 but does not include the financial report and our auditor's report thereon.

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

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

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

**Responsibilities of the Directors for the Financial Report**

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



## Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <https://auasb.gov.au/Home.aspx> . This description forms part of our auditors report.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included on pages 11 to 14 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Epsilon Health Care Limited for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

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

**A D Danieli Audit Pty Ltd**



**Sam Danieli**  
**Director**

**Sydney, 28 March 2025**



# SHAREHOLDER INFORMATION

## ASX additional information

Additional information as at 12 March 2025 is required by the Australian Securities Exchange Listing Rules and not disclosed elsewhere in this report.

### Home Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

### Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion in which the amount paid up bears to the issue price for the share.

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 12 March 2025.

### Spread of Shareholders

At 12 March 2025, there were 7,438 holders of Shares. The shareholders were entitled to one vote for each Share held.

Spread of Holdings	No. of Holders	No. of Units	% Issued Capital
1 – 1000	1,078	721,320	0.21
1,001 – 5,000	3,274	8,394,878	2.43
5,001 – 10,000	956	7,499,680	2.17
10,001 – 100,000	1,765	54,979,603	15.92
100,001 and over	365	273,758,530	79.27
<b>Total</b>	<b>7,438</b>	<b>345,354,011</b>	<b>100.00</b>

### Less than marketable Parcels

A total of 6,144 shareholders were holding less than a marketable parcel of 20,834 shares as at 12 March 2025 (\$0.024). Under the ASX Listing Rules, any shareholding values at less than \$500 is considered to be an unmarketable parcel.

### On Market Buy Back

There is no on-market buy-back.

### Substantial Shareholders

As at 12 March 2025, the only substantial holder was Watercrest Asset Management Pty Ltd controlling 35,828,878 ordinary shares representing 10.37% of the issued Capital.

## Top 20 Shareholders

As at 12 March 2025 the twenty largest quoted shareholders held 44.18% of the fully paid ordinary shares as follows:

	Holder Name	Share Holding	% Issued Capital
1	WATERCREST ASSET MANAGEMENT PTY LTD	35,828,878	10.37
2	MR CRAIG GRAEME CHAPMAN <NAMPAC DISCRETIONARY A/C>	10,911,556	3.16
3	CYRENE HOLDINGS PTY LTD <CYRENE A/C>	10,771,121	3.12
4	MR ALAN PRESTON BEASLEY	10,500,000	3.04
5	CONSOLIDATED NOMINEES PTY LTD <THE ROB AIR INVESTMENT A/C>	10,000,000	2.90
6	DASH & CO ASSETS PTY LTD <DASH AND CO SUPER FUND A/C>	10,000,000	2.90
7	FENNELL CHURCH PTY LIMITED <FENNELL CHURCH PROP UNIT A/C>	8,438,499	2.44
8	HEALTH360 INVESTMENT MANAGEMENT INC	7,052,880	2.04
9	GIANNOPOULOS SUPERANNUATION NOMINEES PTY LTD <GIANNOPOULOS SUPER FUND A/C>	7,000,000	2.03
10	ALEXANDER HOTEL INVESTMENTS PTY LTD	6,250,000	1.81
11	CANNIM GROUP PTY LTD	5,555,556	1.61
12	MR LLOYD STAFFORD TAYLOR	5,318,328	1.54
13	BARCOO HOLDINGS PTY LTD <WYAN FAMILY INVESTMENTS>	3,795,824	1.10
14	KARANTZIAS INVESTMENTS PTY LTD <KARANTZIAS FAMILY A/C>	3,636,364	1.05
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT>	3,147,900	0.91
16	MR GEORGE DAABOUL	3,000,000	0.87
17	HTGR INVESTMENTS PTY LTD	2,955,700	0.86
18	META GROWTH CORP	2,942,489	0.85
19	CELTIC CAPITAL PTY LTD	2,888,872	0.84
20	TIGER PTY LTD <TIGER COMMERCIAL UNIT TRUST>	2,545,455	0.74
	<b>Total</b>	<b>152,539,422</b>	<b>44.18</b>

## Statement of Restricted Securities

The Company has no securities which are Restricted Securities as at 12 March 2025.

## Utilisation of Cash for Business Objectives

The Company confirms that it has used cash and cash equivalents held at the time of listing in a way consistent with stated business objectives.