

Omni Health, Inc.

Financial Statements 10/01/2017 -01/31/2018

**Omni Health, Inc.**  
**and SUBSIDIARIES**  
**Consolidated Balance Sheets**

**ASSETS**

	As of	
	January 31, 2018	October 31, 2017
Current Assets		
Cash and cash equivalents	\$ 193,606	\$ 64,178
Accounts receivable, net	327,011	617,825
Inventory	276,812	284,075
Due from related party	81,700	98,700
Other receivables and prepaid expenses	175,000	175,000
Total current assets	1,054,129	1,239,778
Property, plant and equipment, net	488,457	488,457
Cost basis investments	3,430,973	3,430,973
Total assets	\$ 4,973,559	\$ 5,159,208

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities		
Notes payable, current portion	\$ 1,803,872	\$ 1,984,279
Accounts payable and accrued expenses	286,940	313,500
Due to mCig, Inc.	-	-
Due to related party	-	-
Total current liabilities	2,090,812	2,297,779
Noncurrent liabilities		
Notes payable, non-current portion	14,934	14,934
Due to related party	496,344	579,344
Total noncurrent liabilities	511,278	594,278
Total liabilities	2,602,090	2,892,057
Stockholders' equity		
Common stock, \$0.0001 par value, voting; 2,000,000,000 shares authorized; 976,378,741 and 554,551,683 shares issued, and outstanding, as of October 31, 2017 and 2016, respectively.	97,638	97,638
Treasury stock	(1,052,250)	(1,052,250)
Shares issued at spinoff, discount from par value	(49,514)	(49,514)
Additional paid in capital	3,902,540	3,902,540
Accumulated deficit	(526,945)	(631,263)
Total stockholders' equity	2,371,469	2,267,151
Total liabilities and stockholders' equity	\$ 4,973,559	\$ 5,159,208

See accompanying notes to unaudited consolidated financial statements.

***Omni Health, Inc.***  
***and SUBSIDIARIES***  
***Consolidated Statements of Operations***  
***(unaudited)***

	For the three months ended	
	January 31	October 31
	<b>2018</b>	<b>2017</b>
Sales	\$ 1,397,912	\$ 631,332
Total Cost of Sales	1,047,266	1,025,047
Gross Profit	350,646	(393,715)
Selling, general, and administrative	86,641	146,288
Professional fees	20,922	-
Stock based compensation	-	895,865
Payroll	114,557	107,651
Rent	43,995	48,933
Consultant fees		34,200
Amortization and depreciation	0	4,237
Total operating expenses	266,117	1,237,174
Income (Loss) from operations	84,529	(1,630,889)
Other income (expense)	0	(42,549)
Net income (loss) before non-controlling interest	84,529	(1,673,438)
Net income from discontinued operations	-	-
Net income (loss) attributable to controlling interest	\$ 84,529	\$ (1,673,438)
Basic and diluted (Loss) per share:		
Income(Loss) per share from continuing operations	0.00	(0.00)
Income(Loss) per share	0.00	(0.00)
Weighted average shares outstanding - basic and diluted	1,063,255,936	1,007,949,501

See accompanying notes to unaudited consolidated financial statements.

**OMNI HEALTH, INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**Note 1 – Organization and Basis of Presentation**

The accompanying unaudited financial statements of Omni Health, Inc., formerly known as VitaCig, Inc., (the “Company”, “we”, “our”), have been prepared in accordance with generally accepted accounting principles in the United States of America and the rules of the Securities and Exchange Commission (“SEC”).

*Description of Business*

We were incorporated in Nevada on January 22, 2014. We began as a technology company that was engaged in the manufacturing and retailing of nicotine-free Electronic Cigarettes (“eCigs”) that are pre-packaged with vitamins, nutrients, and generic pharmaceuticals.

The Company was originally formed as a wholly-owned subsidiary of mCig, Inc. On February 24, 2014 the company entered into a Contribution Agreement with mCig, Inc. In accordance with this agreement VitaCig, Inc. accepted the contribution by mCig, Inc. of specific assets consisting solely of pending trademarks for the term “VitaCig” filed with the USPTO and \$500 in cash as contribution in exchange for 500,135,000 shares of common capital stock representing 100% of the shares outstanding of the Company.

On November 28, 2014, mCig completed the spin-off of 54.1% of VitaCig, Inc. (the “Spin-off”) (See Note 9: Stockholders’ Equity of the Audited Financial Statement).

On June 17, 2017 VitaCig acquired Malecon Pharmacy, Inc., in a Stock Exchange Agreement. VitaCig issued LX Retail Group, LLC 575,000,000 common shares of stock in exchange for 100% of the stock of Malecon Pharmacy, Inc. Malecon Pharmacy, Inc., operates as a subsidiary of VitaCig, Inc. Malecon Pharmacy is a pharmacy that operates in Hialeah, Florida since 1974.

On June 22, 2017 VitaCig sold its eCig business element to mCig, Inc., in exchange for the return to treasury stock 172,500,000 shares of VitaCig stock and the reduction of the outstanding amount owed by Vitacig, Inc., to mCig, Inc., in the amount equal to reducing the outstanding balance to \$95,000. As a result of this transaction, VitaCig, Inc., became a holding company in which it has one wholly owned subsidiary, Malecon Pharmacy, Inc.

On September 9, 2017 the company changed its name to Omni Health, Inc.

The Company currently maintains its corporate office in Miami Beach, Florida.

*Fiscal Year End*

The fiscal year ends April 31.

*Our Company*

Most of our operations are conducted through our wholly-owned subsidiaries, Malecon Pharmacy, Inc. Malecon Pharmacy, Inc., is a vertically integrated company focused on healthcare and operating in the pharmaceutical, medical and wellness industries, since 1974. We are licensed provider of innovative health, wellness and pharmacy services.

*Employees*

As of January 31, 2018, the Company had no full-time employees and five independent contractors (including two members of management). Currently, Malecon Pharmacy has seven full time employees, 7 independent contractors and three consultants. All employees of Malecon Pharmacy are considered work for hire and maintain no long term contracts. We may hire temporary labor for manufacturing needs as required. We believe that we will be able to hire a sufficient number of

qualified employees to meet our employment needs. Our manufacturing process does not require special training, other than orientation to our production techniques and specific equipment. None of our employees is represented by a labor union or a collective bargaining agreement. We consider our relations with our employees to be good.

### *Basis of Presentation*

The Company maintains its accounting records on an accrual basis in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

These financial statements are presented in US dollars.

### **Note 2 – Summary of Significant Accounting Policies**

The principal accounting policies are set out below, these policies have been consistently applied to the period presented, unless otherwise stated:

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. The most significant estimates include: sales returns and other allowances; allowance for doubtful accounts; valuation of inventory; valuation and recoverability of long-lived assets; property and equipment; contingencies; and income taxes.

On a regular basis, management reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

#### **Inventory**

Prior to the acquisition of Malecon Pharmacy and the discontinued operations, inventory consisted of finished product, e-Cig products valued at the lower of cost and net realizable value under the first-in, first-out method of costing. Upon the acquisition of Malecon Pharmacy, the inventory consisted of prescription drugs, non-prescription drugs and retail merchandise. The Company continues to value its inventory at the lower of cost and net realizable value under the first-in, first-out method of costing.

#### **Accounts Receivable**

The Company's accounts receivable is primarily from its contracts associated with healthcare insurance companies. Under various agreements, the Company maintains receivables with 17 companies with accounts ranging from 30-90 days. While the company attempts to collect on all outstanding balances owed, the financial statements do not account for any outstanding receivables beyond 90 days. All receivables beyond 90 days are written off as a drawn down from revenue. Should the company collect at a later date, which it intends to do, the Company reinstates the revenue during the quarter in which it is paid. Due to the nature of these funds, the Company expects these receivables to be fully collectible and therefore has not estimated an allowance for doubtful accounts for the period. The Company did not report any accounts receivable from any of its retail customers.

#### **Intangible assets**

The Company's intangible assets consist primarily of certain website development costs and are amortized over its estimated useful life of three years.

#### **Revenue Recognition**

*Pharmacy Services.* We sell prescription drugs through retail, delivery, and mail order pharmacy operations. We recognize revenues from prescription drugs sold by our mail service and home delivery and the retail pharmacy through contracts where

we are the principal using the gross method at the contract prices negotiated with our payers. Revenue from Pharmacy Services includes: (i) the portion of the price the customer pays directly to us, net of any volume-related or other discounts paid back to the customer, (ii) the portion of the price paid to us in a national retail pharmacy network through the customers insurance plan, and (iii) administrative payments from national retail pharmacy network contracts for incentives and initiatives.

SEC Staff Accounting Bulletin 104, “Revenue Recognition, corrected copy” ( “SAB 104”) provides the general criteria for the timing aspect of revenue recognition, including consideration of whether: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller’s price to the buyer is fixed or determinable and (iv) collectability is reasonably assured. The Company has established the following revenue recognition policies in accordance with SAB 104:

- Revenues generated from prescription drugs sold by mail service pharmacies are recognized when the prescription is shipped. At the time of shipment, the Company has performed substantially all of its obligations under its customer contracts and does not experience a significant level of reshipments.
- Revenues generated from prescription drugs sold through national retail pharmacy network and associated administrative fees are recognized at the point-of-sale, which is when the claim is adjudicated by the online claims processing system.

We determine whether we are the principal or agent for our national retail pharmacy network transactions using the indicators set forth in Emerging Issues Task Force (“EITF”) Issue No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent” on a contract by contract basis. In all of our current contracts, we have determined we are the principal due to it: (i) being the primary obligor in the arrangement, (ii) having latitude in establishing the price, changing the product or performing part of the service, (iii) having discretion in supplier selection, (iv) having involvement in the determination of product or service specifications and (v) having credit risk. Responsibilities under our customer contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the physician prior to dispensing, suggesting clinically appropriate generic alternatives where appropriate and approving the prescription for dispensing. Although we do not have credit risk with respect to Retail Co-Payments, management believes that all of the other indicators of gross revenue reporting are present.

**Drug Discounts ~** We deduct from our revenues any discounts paid to our customers as required by EITF No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products)” (“EITF 01-9”).

**Retail Pharmacy Segment ~** We recognize revenue from the sale of merchandise (other than prescription drugs) at the time the merchandise is purchased by the retail customer. Revenue from the sale of prescription drugs is recognized at the time customer’s insurance plan reimburses us in addition to customer’s co-pay obligation (if any) after the prescription is filled, which is or approximates when the retail customer picks up the prescription or the prescription is been delivered to the customer. Customer returns are not material. Revenue generated from the performance of services is recognized at the time the services are performed.

### **Cost of Goods Sold**

The Company recognizes the direct cost of purchasing product for sale, including freight-in and packaging, as cost of goods sold in the accompanying income statement.

### **Financial Instruments**

The carrying amounts reflected in the balance sheets for cash and due to related parties approximate the respective fair values due to the short maturities of these items. The Company does not hold any investments that are available-for-sale.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, fair value is measured based on a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows: (Level 1) observable inputs such as quoted prices in active markets; (Level 2) inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and (Level 3) unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The three levels of the fair value hierarchy are described below:

**Level 1**—Valuations based on quoted prices for identical assets and liabilities in active markets.

**Level 2**—Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3**—Valuations based on unobservable inputs reflecting our own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

The Company does not have any assets or liabilities that are required to be measured and recorded at fair value on a recurring basis.

#### **Basic and Diluted Net Income (Loss) Per Share**

The Company follows ASC Topic 260 to account for earnings (loss) per share. Basic earnings (loss) per share ("EPS") calculations are determined by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the three months. Diluted earnings per share calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. During periods when common stock equivalents, if any, are anti-dilutive they are not considered in the computation.

There is no potential dilutive security as of January 31, 2018.

#### **Concentration of Credit Risk**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and trade receivables. Concentrations of credit risk with respect to trade receivables are limited due to the clients that comprise our customer base and their dispersion across different business and geographic areas. We estimate and maintain an allowance for potentially uncollectible accounts and such estimates have historically been within management's expectations.

Our cash balances are maintained in accounts held by major banks and financial institutions located in the United States. The Company may occasionally maintain amounts on deposit with a financial institution that are in excess of the federally insured limit of \$250,000. The risk is managed by maintaining all deposits in high quality financial institutions. The Company had no deposits in excess of federally insured limits as of January 31, 2018.

#### **Impairment of Long-lived Assets**

The Company accounts for long-lived assets in accordance with the provisions of FASB Topic 360, "*Accounting for the Impairment of Long-Lived Assets*". This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. No impairments were recorded during the year ended January 31, 2018.

#### **Warranties**

Warranty reserves include management's best estimate of the projected costs to repair or to replace any items under warranty, based on actual warranty experience as it becomes available and other known factors that may impact the Company's evaluation of historical data. The Company did not have any significant warranty expenses to report for the year ended January 31, 2018. Based on these actual expenses, the warranty reserve, as estimated by management as of January 31, 2018 was at \$0. Any adjustments to warranty reserves are to be recorded in cost of sales.

#### **Recent Accounting Pronouncements**

The Company evaluated all recent accounting pronouncements issued and determined that the adoption of these pronouncements would not have a material effect on the financial position, results of operations, or cash flows of the Company.

In July 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-11 "Simplifying the Measurement of Inventory"; guidance which requires inventory within the scope of the standard to be measured at the lower of cost and net realizable value. Previous guidance required inventory to be measured at the lower of cost or market (where market was

defined as replacement cost, with a ceiling of net realizable value and floor of net realizable value less a normal profit margin). The updated guidance is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. There were various other updates recently issued, none of which are expected to have a material impact on the Company's financial position, results of operations or cash flows.

### Note 3. Going Concern

The Company's financial statements are prepared using generally accepted accounting principles, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. Because the business is new and has a limited history and relatively few sales, no certainty of continuation can be stated. The accompanying financial statements for the three months ended January 31, 2018 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

The Company has suffered losses from operations and has a working capital deficit, which raises substantial doubt about its ability to continue as a going concern.

Management is taking steps to raise additional funds to address its operating and financial cash requirements to continue operations in the next twelve months. Management has devoted a significant amount of time in the raising of capital from additional debt and equity financing. However, the Company's ability to continue as a going concern is dependent upon raising additional funds through debt and equity financing and generating revenue. There are no assurances the Company will receive the necessary funding or generate revenue necessary to fund operations. The financial statements contain no adjustments for the outcome of this uncertainty.

### Note 4. Intangible Assets:

As of October 31, 2017			
Weighted Average Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
<u>Finite lived intangible assets</u>			
Internet website 3	4,400	(2,799)	1,601
Intangible Assets Sold	(1,601)	-	-
<b>Total identifiable intangible assets</b>	<b>2,799</b>	<b>(2,799)</b>	<b>-</b>

As of July 31, 2016			
Weighted Average Useful Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	\$	\$	\$
<u>Finite lived intangible assets</u>			
Internet website 3	4,400	(2,799)	1,601
<b>Total identifiable intangible assets</b>	<b>4,400</b>	<b>(2,799)</b>	<b>1,601</b>



Amortization expense on intangible assets was \$0 and \$0 for the year ended July 31, 2017 and 2016, respectively. The intangible asset was sold as part of the Company's discontinued operation on June 22, 2016. See Note 10.

#### **Note 5. Reserved**

#### **Note 6. Related Parties and Related Party Transactions**

The following entities have been identified as related parties:

LX Retail Group, Inc.	Greater than 10% stockholder.
Malecon Pharmacy, Inc.	Subsidiary company.
Andrey Soloviev	Director and CEO
MCIG, Inc.	Greater than 10% stockholder (through June 22, 2016)

On June 22, 2017 when the company acquired Malecon Pharmacy, Inc., it assumed the liability of \$812,000 owed to the principal owner of Malecon Pharmacy, Inc. During the year ended October 31, 2017, the company paid \$331,356 towards that outstanding balance, leaving a balance of \$480,644 owed.

#### **Note 7. Commitments and Contingencies**

The Company has commitments for three leased facilities. In addition, the Company has a lease commitment for its pharmacy software system.

- The company headquarters located in Miami Beach, Florida. The office rent is \$6,780 per month. The lease expires on May 1, 2019.
- The Company Pharmacy building in Hialeah, Florida. The rent for the facility is \$8,146.74 per month. The lease expires on February 1, 2017.
- The Company Warehouse and Distribution Center in Miami Florida. The company pays \$1,605 a month as rent, which expires August 1, 2017.
- The Company has a lease for its QS/1 Data System. The company pays \$527.26 per month, which expires on October 31, 2018.

The following chart shows the Company commitments for the next five years:

Year	Amount
2018	\$ 131,328
2019	81,127
2020	71,370
2021	5,948
2022	-
Total	\$ 336,870

#### **Note 8. Stockholders' Equity (Deficit)**

##### **Common Stock**

The authorized capital stock of the Company consists of 2,000,000,000 shares of Common Stock, par value \$0.0001 per share.

As of October 31, 2016, the Company was authorized to issue 560,000,000 common shares at a par value of \$0.0001. As of October 31, 2016 the Company had issued 500,135,000 common shares. During the year the Company issued 54,416,683 shares of common stock for services rendered - the price evaluate is \$441,406. As of October 31, 2016 the total issued and outstanding of common stock was 554,551,683.

On June 17, 2016, the Company issued LX Retailers, LLC 575,000,000 shares of the Company's common stock as the purchase price for Malecon Pharmacy.

On January 31, 2016 mCig elected to convert its promissory note into shares of the company stock. The total amount due at the time of conversion was \$98,108. The company issued 17,677,058.

As of October 31, 2017, the Company was authorized to issue 2,000,000,000 common shares at a par value of \$0.0001. During the fiscal year the Company issued 1,859,110 common shares for services rendered - the price evaluate is \$27,623. The Company was obligated to issue an additional 625,000 shares of common stock for services rendered, which have yet to be issued, and currently appears in the balance sheet under accounts payable. As of July 31, 2017 the total issued and outstanding of common stock was 976,587,851.

#### **Note 9. Acquisition of Malecon Pharmacy, Inc.**

On June 17, 2016, the Company and LX Retail Group, Inc. entered into a share exchange agreement whereby the Company acquired 100% of the stock of Malecon Pharmacy, Inc., whereby LX Retail Group, Inc. transferred the assets and operations of the business of Malecon Pharmacy, Inc., to Company in exchange for 575,000,000 shares of the Company's Common Stock.

The purchase price of Malecon Pharmacy, Inc., was \$3,392,500. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed, at the date of acquisition:

Purchase Price (575,000,000 shares @ \$0.0059)	\$	3,392,500
Cash	\$	107,276
Accounts Receivable		739,224
Inventory		256,507
Medical Equipment		254,232
Property, plant & equipment		64,661
Cost basis investment		3,430,973
Total assets acquired	\$	4,852,873
Accounts Payable		359,510
Other Liabilities		20,532
Small Business Loan		268,331
Due to Related Party		812,000
Total liabilities assumed		1,460,373
Net assets acquired	\$	3,392,500

In accordance with ASC 805-10-50, the Company is to provide an unaudited pro-forma to present a summary of the combined results of the Company's consolidated operations with the acquisition as if the acquisition had been completed as of the beginning of the reporting period. The report is insignificant and thus not recorded.

#### **Note 10. Discontinued Operations**

On June 22, 2016, the Company sold off its VitaCig operations. The Company was returned 172,500,000 shares of common stock of the Company's common stock, par value \$0.0001 per share ("Common Stock"), from mCig, Inc., and was forgiven

\$68,123 in debt owed to MCIG in exchange for the VitaCig operations. The record date for the transaction was June 22, 2016. The transaction was completed for the purpose of legally and structurally separating the VitaCig operation from the newly acquired business and the Company's change in direction.

The selloff of VitaCig has been presented as discontinued operations in our financial statements. The following tables represent the current assets and liabilities associated with the discontinued operations as of October 31, 2016:

#### Assets

Cash	\$	44,280
Accounts receivable		10,518
Prepaid expenses		3,300
Inventory		26,607
Intangible assets		1,343
Total assets related to discontinued operations	\$	86,048

#### Liabilities

Current liabilities		12,974
Deferred revenue		31,874
Due to mCig payable		68,123
Due to related party		2,000
Liabilities related to discontinued operations	\$	114,971

As of October 31, 2016, the Company has recorded a gain of \$1,081,173 for its discontinued operations. The following table presents the net book value of VitaCig as of the selloff, the pro-rata value received as part of the selloff, and the net gain for the selloff of the VitaCig operations:

Net book value of VitaCig at sell-off	\$	(28,923)
FMV of stock received from sell-off		1,052,250
Net gain from discontinued operations	\$	1,081,173

#### Note 11. Basic Loss per Share

Basic Income (Loss) Per Share - The computation of basic and diluted loss per common share is based on the weighted average number of shares outstanding during each period.

The computation of basic income (loss) per common share is based on the weighted average number of shares outstanding during the periods.