

TGOD Genetics A/S

Skanderborgvej 193
8382 Hinnerup

CVR no. 40 35 21 04

Annual report for the period 8 March – 31 December 2019

The annual report was presented and approved at the
Company's annual general meeting on

31 August 2020



chairman

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of TGOD Genetics A/S for the financial period 8 March – 31 December 2019.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial period 8 March – 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.


Hinnerup, 31 August 2020

Executive Board:



Søren Peter Korup

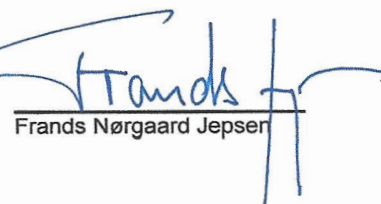
Board of Directors:



Brian David Athaide
Chairman



Anna Stewart



Frands Nørgaard Jepsen



Morten Petersen

Independent auditor's report

To the shareholders of TGOD Genetics A/S

Opinion

We have audited the financial statements of TGOD Genetics A/S for the financial period 8 March – 31 December 2019 comprising income statement, balance sheet and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial period 8 March – 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are 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 ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Aarhus, 31 August 2020

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98



Katrine Gybel
State Authorised
Public Accountant
mne45848

TGOD Genetics A/S
Annual report 2019
CVR no. 40 35 21 04

Management's review

Company details

TGOD Genetics A/S
Skanderborgvej 193
8382 Hinnerup

CVR no.:	40 35 21 04
Established:	8 March 2019
Registered office:	Hinnerup
Financial period:	8 March – 31 December

Board of Directors

Brian David Athaide, Chairman
Anna Stewart
Frands Nørgaard Jepsen
Morten Petersen

Executive Board

Søren Peter Korup

Auditor

KPMG
Statsautoriseret Revisionspartnerselskab
Bredskifte Allé 13
DK-8210 Aarhus V

Management's review

Operating review

Principal activities

The Company's principal activity is to develop and refine new Cannabis Genetics through research, cultivation and selection.

Development in activities and financial position

Loss for the year

The Company's income statement for the period 8 March to 31 December 2019 shows a loss of DKK -1,904,423. Equity in the Company's balance sheet at 31 December 2019 stood at DKK 1,504,423 due to negative results for the year.

Due to its negative results for the year, the Company has lost more than 50% of its contributed capital and is thus covered by the Danish Companies Act's rules on capital losses. It is Management's expectation that the capital will be restored through future earnings. Should this not happen, contrary to expectations, the Parent Company will convert debt to restore the capital.

The Parent Company has provided a letter of support stating its intention to provide financial support to the Company so that the Company can meet its obligations as they fall due until at least 31 December 2020. The Parent Company has also submitted a letter of subordination regarding its receivables for the Company's other creditors until 31 December 2020.

Events after the balance sheet date

At the present moment, the Company is not affected by COVID-19.

Financial statements 8 March – 31 December

Income statement

DKK	Note	8/3 - 31/12 2019
Gross profit/loss		<u>-902,634</u>
Staff costs	2	-747,168
Depreciation		<u>-249,211</u>
Operating profit/loss		-1,899,013
Financial expenses		<u>-5,410</u>
Profit/loss before tax		-1,904,423
Tax on profit/loss for the year		<u>0</u>
Profit/loss for the year		<u><u>-1,904,423</u></u>
Proposed profit appropriation/distribution of loss		
Retained earnings		<u>-1,904,423</u>
		<u><u>-1,904,423</u></u>

Financial statements 8 March – 31 December

Balance sheet

DKK	Note	<u>31/12 2019</u>
ASSETS		
Fixed assets		
Property, plant and equipment		
Land and buildings		178,652
Fixtures and fittings, tools and equipment		243,716
Leasehold improvements		<u>1,694,540</u>
		<u>2,116,908</u>
Total fixed assets		<u>2,116,908</u>
Current assets		
Receivables		
Trade receivables		193,637
Other receivables		<u>154,877</u>
		<u>348,514</u>
Cash at bank and in hand		<u>1,155,187</u>
Total current assets		<u>1,503,701</u>
TOTAL ASSETS		<u><u>3,620,609</u></u>

Financial statements 8 March – 31 December

Balance sheet

DKK	Note	<u>31/12 2019</u>
EQUITY AND LIABILITIES		
Equity		
Contributed capital	3	400,000
Retained earnings		<u>-1,904,423</u>
Total equity		<u>-1,504,423</u>
Liabilities		
Non-current liabilities		
Payables to group entities		4,873,139
Other payables		<u>47,293</u>
		<u>4,920,432</u>
Current liabilities		
Trade payables		103,737
Other payables		<u>100,863</u>
		<u>204,600</u>
Total liabilities		<u>5,125,032</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,620,609</u></u>
Related party disclosures	4	

Financial statements 8 March – 31 December

Notes

1 Accounting policies

The annual report of TGOD Genetics A/S for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act.

This financial year is TGOD Genetics A/S' first financial year.

Revenue

Income comprise fee received for services provided. Revenue is recognised in the income statement as the services are provided.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Other external costs

Other external costs comprise costs related to administration, office premises, operating leases, etc.

Gross loss

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross loss.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Financial expenses

Financial expenses comprise interest income and expenses.

Tax on loss for the year

Tax for the year comprises current corporation tax for the year and changes in deferred tax, including changes in tax rates. The tax expense relating to the loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Financial statements 8 March – 31 December

Notes

1 Accounting policies (continued)

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date on which the asset is available for use. Indirect production overheads and borrowing costs are not recognised in cost.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is cost less any projected residual value after the end of the useful life. Depreciation is provided on a straight-line basis over the estimated useful life. The estimated useful lives are as follows:

Buildings	10 years
Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	10 years

The useful life and residual value are reassessed annually. Changes are treated as accounting estimates, and the effect on depreciation is recognised prospectively.

Fixed assets under construction are recognised and measured at cost at the balance sheet date. Upon entry into service, the cost is transferred to the relevant group of property, plant and equipment.

Depreciation is recognised in the income statement as production costs, distribution costs and administrative expenses, respectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating costs, respectively.

Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment as well as equity investments in group entities and associates is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the forecast net cash flows from the use of the asset or the group of assets, including forecast net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Financial statements 8 March – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable or a portfolio of receivables has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are assessed for objective indication of impairment on a portfolio basis. The portfolios are primarily based on the debtors' registered offices and credit rating in accordance with the Company's credit risk management policy. The objective indicators used in relation to portfolios are determined on the basis of historical loss experience.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Liabilities

Financial liabilities are recognised at cost at the date of borrowing, corresponding to the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between cost and the nominal value is recognised in the income statement over the term of the loan together with interest expenses.

Finance lease obligation comprise the capitalised residual lease obligation of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 8 March – 31 December

Notes

2 Staff costs

	8/3 - 31/12 2019
DKK	
Wages and salaries	671,086
Pensions	39,413
Other social security costs	3,301
Other staff costs	<u>33,368</u>
	<u>747,168</u>
Average number of full-time employees	<u>2</u>

3 Equity

Due to its negative results for the year, the Company has lost more than 50% of its contributed capital and is thus covered by the Danish Companies Act's rules on capital losses. It is Management's expectation that the capital will be restored through future earnings. Should this not happen, contrary to expectations, the Parent Company will convert debt to restore the capital.

The Parent company has provided a letter of support stating its intention to provide financial support to the Company so that the Company can meet its obligations as they fall due until at least 31 December 2020. The Parent Company has also submitted a letter of subordination regarding its receivables for the Company's other creditors until 31 December 2020.

4 Related party disclosures

Ownership

The following shareholders are registered in the Company's register of shareholders as holding a minimum of 5% of the votes or a minimum of 5% of the contributed capital: TGOD Europe B.V. and A/S Knud Jepsen.

5 Contractual obligations, contingencies, etc.

The Company has entered into a tenancy agreement with one of its joint venture participants for the rent of building and facilities to carry out its activities. Rental costs represent DKK 187 thousand annually. The tenancy agreement shall remain non-terminable as long as the joint venture agreement is in force.

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