

Rangers Pharmaceutical A/S

Alsikevej 16, 8920 Randers NV

Company reg. no. 40 38 10 15

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 1 November 2021.

Jeppe Brogaard Clausen
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

Today, the board of directors and the managing director have presented the annual report of Rangers Pharmaceutical A/S for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the company's results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

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

Randers NV, 11 October 2021

Managing Director

Farhan Lalani

Board of directors

Clifford Starke

Selcuk Copkayaoglu

Farhan Lalani

Independent auditor's report

To the shareholder of Rangers Pharmaceutical A/S

Opinion

We have audited the financial statements of Rangers Pharmaceutical A/S for the financial year 1 January - 31 December 2020, which comprise income statement, statement of financial position, statement of changes in equity, notes and accounting policies. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 about 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, 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 these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- Obtain an understanding of the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

DK-8960 Randers SØ, 11 October 2021

Kvist & Jensen

Kvist & Jensen State Authorized Public Accountants
Company reg. no. 36 71 77 85

Jonas Bødker-Iversen

State Authorised Public Accountant
mne35471

Company information

The company	Rangers Pharmaceutical A/S Alsikevej 16 8920 Randers NV
	Company reg. no. 40 38 10 15 Financial year: 1 January - 31 December
Board of directors	Clifford Starke Selcuk Copkayaoglu Farhan Lalani
Managing Director	Farhan Lalani
Auditors	Kvist & Jensen Statsautoriseret Revisionspartnerselskab
Bankers	Jyske Bank
Parent company	Klokken Aarhus Inc.

Management commentary

The principal activities of the company

The principal activities are growing cannabis for medical use and other related activities.

Development in activities and financial matters

The company's activities with growing cannabis for medical use has ceased during the financial year. This has resulted in losses on intangible and tangible fixed assets totaling DKK 3,342 thousand. The company is subsequently without activity.

The parent company has confirmed that liquidity will be provided to the company to an extent so that the company can pay its obligations and the continued operations can be maintained in the coming financial year.

Events occurring after the end of the financial year

The company has been given a capital increase of DKK 3,023 thousand in connection with re-assumption of the company.

Income statement

All amounts in DKK.

<u>Note</u>	<u>1/1 - 31/12 2020</u>	<u>26/3 - 31/12 2019</u>
Gross loss	-301.553	0
3 Staff costs	-390.621	0
Other operating costs	-3.342.268	0
Operating profit	-4.034.442	0
Other financial income from group enterprises	0	1.545
Other financial income	0	3.930
Other financial costs	-32.246	-637
Pre-tax net profit or loss	-4.066.688	4.838
Tax on net profit or loss for the year	1.065	-1.065
Net profit or loss for the year	-4.065.623	3.773
Proposed appropriation of net profit:		
Transferred to other reserves	0	806.236
Allocated from retained earnings	-4.065.623	-802.463
Total allocations and transfers	-4.065.623	3.773

Statement of financial position at 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Non-current assets		
4 Concessions, patents, licenses, trademarks, and similar rights acquired	0	1.990.984
5 Development projects in progress and prepayments for intangible assets	0	1.033.636
Total intangible assets	<u>0</u>	<u>3.024.620</u>
6 Other fixtures and fittings, tools and equipment	0	317.647
Total property, plant, and equipment	<u>0</u>	<u>317.647</u>
Total non-current assets	<u>0</u>	<u>3.342.267</u>
Current assets		
Receivables from group enterprises	0	168.260
Income tax receivables	0	297.282
Other receivables	34.900	58.582
Prepayments and accrued income	0	37.308
Total receivables	<u>34.900</u>	<u>561.432</u>
Cash on hand and demand deposits	<u>11.409</u>	<u>0</u>
Total current assets	<u>46.309</u>	<u>561.432</u>
Total assets	<u>46.309</u>	<u>3.903.699</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2020</u>	<u>2019</u>
Equity		
Contributed capital	400.002	400.002
Share premium	2.832.465	2.832.465
Reserve for development costs	0	806.236
Retained earnings	-4.061.850	-802.463
Total equity	-829.383	3.236.240
Provisions		
Provisions for deferred tax	0	298.347
Total provisions	0	298.347
Liabilities other than provisions		
Trade payables	681.880	355.603
Payables to group enterprises	156.885	0
Other payables	36.927	13.509
Total short term liabilities other than provisions	875.692	369.112
Total liabilities other than provisions	875.692	369.112
Total equity and liabilities	46.309	3.903.699

1 Uncertainties concerning the enterprise's ability to continue as a going concern

2 Special items

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Share premium	Other reserves	Retained earnings	Total
Equity 1 January 2020	400.002	2.832.465	806.236	-802.463	3.236.240
Retained earnings	0	0	0	-4.065.623	-4.065.623
Movement	0	0	-806.236	806.236	0
	400.002	2.832.465	0	-4.061.850	-829.383

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The parent company has confirmed that liquidity will be provided to the company to an extent so that the company can pay its obligations and the continued operations can be maintained in the coming financial year.

2. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by a number of factors that differ from what is considered by management to be part of operating activities.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	1/1 - 31/12
Expenses:	
Loss on intangible assets	3.024.621
Loss on property, plant and equipment	317.647
	<u>3.342.268</u>
Special items are recognised in the following items in the financial statements:	
Other operating costs	<u>-3.342.268</u>
Profit of special items, net	<u>-3.342.268</u>

	1/1 - 31/12 2020	26/3 - 31/12 2019
3. Staff costs		
Salaries and wages	<u>390.621</u>	<u>0</u>
	<u>390.621</u>	<u>0</u>
Average number of employees	<u>1</u>	<u>1</u>

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
4. Concessions, patents, licenses, trademarks, and similar rights acquired		
Cost 1 January 2020	1.990.984	0
Additions during the year	0	1.990.984
Disposals during the year	<u>-1.990.984</u>	<u>0</u>
Cost 31 December 2020	<u>0</u>	<u>1.990.984</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>1.990.984</u>
5. Development projects in progress and prepayments for intangible assets		
Cost 1 January 2020	1.033.636	0
Additions during the year	0	1.033.636
Disposals during the year	<u>-1.033.636</u>	<u>0</u>
Cost 31 December 2020	<u>0</u>	<u>1.033.636</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>1.033.636</u>
<p>The company's activity ceased during the financial year. In this connection, development projects have been disposed and included to a value of DKK 0.</p>		
6. Other fixtures and fittings, tools and equipment		
Cost 1 January 2020	317.647	0
Additions during the year	0	317.647
Disposals during the year	<u>-317.647</u>	<u>0</u>
Cost 31 December 2020	<u>0</u>	<u>317.647</u>
Carrying amount, 31 December 2020	<u>0</u>	<u>317.647</u>

Accounting policies

The annual report for Rangers Pharmaceutical A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations, amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Income statement

Gross loss

Gross loss comprises work performed for own account and capitalised, other operating income, and external costs.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Intangible assets

Development projects, patents, and licences

Development costs and internally generated rights are recognised in the income statement as costs in the acquisition year.

Patents and licenses are measured at cost less accrued amortisation. Patents are amortised on a straightline basis over the remaining patent period and licenses are amortised over the contract period, however, for a maximum of 10 years.

Profit and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price less sales costs and the carrying amount at the time of sale. Profit or loss are recognised in the income statement as other operating income or other operating expenses, respectively.

Property, plant, and equipment

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

Accounting policies

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing, and the individual component representing a material part of the total cost.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

As regards self-constructed assets, the cost comprises direct costs for materials, components, deliveries from sub-suppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Accounting policies

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities.

The reserve cannot be used as dividends or for covering losses.

The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done by direct transfer to the distributable reserves of the equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.