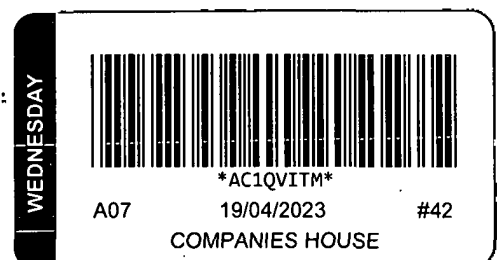


Registered number: 10344288

SATIPHARM EUROPE LIMITED
Report and Financial Statements
for the period ended
30 June 2022



SATIPHARM EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2022

CONTENTS

	Page
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 - 4
DIRECTORS' RESPONSIBILITIES STATEMENT	5
INDEPENDENT AUDITOR'S REPORT	6 - 9
STATEMENT OF COMPREHENSIVE INCOME	10
STATEMENT OF FINANCIAL POSITION	11
STATEMENT OF CHANGES IN EQUITY	12
NOTES TO THE FINANCIAL STATEMENTS	13 - 19

SATIPHARM EUROPE LIMITED

DIRECTORS AND OTHER INFORMATION

BOARD OF DIRECTORS

Jonathan Hartshorn
Steven Notaro
Allan McCallum

SECRETARY AND REGISTERED OFFICE

BWB Secretarial Limited
First Floor,
10 Queen Street Place
London
EC4R 1BE

AUDITORS

Mazars
Chartered Accountants
& Statutory Audit Firm
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

SATIPHARM EUROPE LIMITED

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the period ended 30 June 2022.

1. PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a health and wellness company which specialises in the development and manufacture of cannabinoid-based products from the cannabis plant. There has been no significant change in these activities during the financial period ended 30 June 2022.

2. RESULTS AND DIVIDENDS

The results for the period are set out on page 10.

The directors do not recommend the payment of a dividend.

3. HOLDING COMPANY

Satipharm Europe Limited is a wholly owned subsidiary of Satipharm AG, a company incorporated in Switzerland. Satipharm AG is in turn wholly owned by Cann Group Limited, a company incorporated in Australia. Cann Group Limited acquired the entire share capital of Satipharm AG on 10 March 2021.

4. EVENTS SINCE THE PERIOD END

There have been no significant events affecting the company since the period end.

5. RESEARCH AND DEVELOPMENT

The company did not engage in any research and development activities during the period under review.

6. POLITICAL CONTRIBUTIONS

Neither the company nor the ultimate holding company made any political donations during the period.

7. DIRECTORS AND SECRETARY

The directors and secretary who served throughout the period unless otherwise stated were as follows:

Jonathan Hartshorn
Steven Notaro
Allan McCallum

SATIPHARM EUROPE LIMITED

DIRECTORS' REPORT

8. STATEMENT ON RELEVANT AUDIT INFORMATION

Each of the persons who are directors at the time this report is approved has confirmed that:

- (a) so far as the director is aware, there is no relevant audit information of which the company's statutory auditors are unaware; and
- (b) the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's statutory auditors are aware of that information.


9. AUDITORS

Mazars, Chartered Accountants and Statutory Audit Firm, who were appointed during the period, express their willingness to continue in office in accordance with section 485 of the Companies Act 2006.

10. SMALL COMPANIES NOTE

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

On behalf of the board


Jonathan Hartshorn
Director


Steven Notaro
Director

28 March 2023

SATIPHARM EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with the Companies Act 2006 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", applying Section 1A of that Standard, issued by the Financial Reporting Council. Under the law, the directors must not approve the financial statements unless they are satisfied, they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act 2006. In preparing these financial statements, the directors are required to:

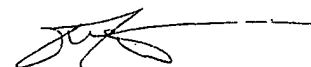
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with applicable accounting standards, identify those standards, and note the effect and the reason for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Jonathan Hartshorn
Director



Steven Notaro
Director

28 March 2023

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SATIPHARM EUROPE LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Satipharm Europe Limited ("the Company") for the year ended 30 June 2022 which comprise the Statement of Comprehensive Income, the Consolidated and Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies set out in note 2. The financial reporting framework that has been applied in their preparation is applicable United Kingdom Law and Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice), applying Section 1A of that Standard, issued in the United Kingdom by the Financial Reporting Council (FRS 102).

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at 30 June 2022 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', applying Section 1A of that Standard;
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are 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 ethical requirements that are relevant to our audit of financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**TO THE MEMBERS OF
SATIPHARM EUROPE LIMITED*****Other information***

The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, we report that:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Respective responsibilities***Responsibilities of directors for the financial statements***

As explained more fully in the directors' responsibilities statement set on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and

**TO THE MEMBERS OF
SATIPHARM EUROPE LIMITED**

fair view, and for such internal control as they determine 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, the directors are 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 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, health and safety regulation, anti-bribery, corruption and fraud and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

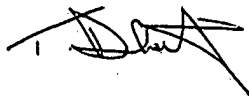
There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SATIPHARM EUROPE LIMITED**

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Tommy Doherty
Senior Statutory Auditor
for and on behalf of Mazars
Chartered Accountants
& Statutory Audit Firm
Harcourt Centre
Block 3, Harcourt Road
Dublin 2**

Date: 28 March 2023

SATIPHARM EUROPE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2022 £	10 months ended 30 June 2021 £
Notes		
Turnover	186,118	114,055
Cost of sales	<u>(207,193)</u>	<u>(137,714)</u>
Gross (loss)	(21,075)	(23,659)
Administrative expenses	<u>(18,793)</u>	<u>(547,341)</u>
Loss on ordinary activities before taxation	(39,868)	(571,000)
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>
Loss for the financial period	<u>(39,868)</u>	<u>(571,000)</u>

There was no other comprehensive income for 2022 (2021: nil).

All amounts relate to continuing operations.


SATIPHARM EUROPE LIMITED

STATEMENT OF FINANCIAL POSITION

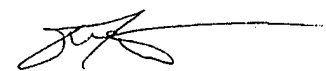
	Notes	30 June 2022 £	30 June 2021 £
CURRENT ASSETS			
Debtors	7	78,226	119,685
Stock	6	<u>704,044</u>	<u>590,140</u>
		782,270	709,825
CREDITORS			
Amounts falling due within one year	8	<u>(1,877,941)</u>	<u>(1,765,628)</u>
NET LIABILITIES		<u>(1,095,671)</u>	<u>(1,055,803)</u>
CAPITAL AND RESERVES			
Called up share capital presented as equity	9	100	100
Profit and loss account	10	<u>(1,095,771)</u>	<u>(1,055,903)</u>
SHAREHOLDERS' DEFICIT		<u>(1,095,671)</u>	<u>(1,055,803)</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the provisions of FRS102 Section 1A — Small Entities.

On behalf of the board



Jonathan Hartshorn
Director



Steven Notaro
Director

28 March 2023

SATIPHARM EUROPE LIMITED

STATEMENT OF CHANGES IN EQUITY

	Called up share capital £	Profit and loss account £	Total £
At 31 August 2020	<u>100</u>	<u>(484,903)</u>	<u>(484,803)</u>
Loss for the financial period	<u>-</u>	<u>(571,000)</u>	<u>(571,000)</u>
Total comprehensive income	<u>-</u>	<u>(571,000)</u>	<u>(571,000)</u>
At 30 June 2021	<u>100</u>	<u>(1,055,903)</u>	<u>(1,055,803)</u>
Loss for the financial period	<u>-</u>	<u>(39,868)</u>	<u>(39,868)</u>
Total comprehensive income	<u>-</u>	<u>(39,868)</u>	<u>(39,868)</u>
At 30 June 2022	<u>100</u>	<u>(1,095,771)</u>	<u>(1,095,671)</u>

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Satipharm Europe Limited is a private company limited by shares incorporated in the UK and registered in England and Wales, company number 10344288. The registered office of the company is First Floor, 10 Queen Street Place, London, EC4R 1BE.

The company is a health and wellness company which specialises in the development and manufacture of cannabinoid-based products from the cannabis plant.

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102"), applying section 1A of that Standard, and the Companies Act 2006.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

a) *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The Company qualifies as a small company as defined by section 280A of the Act, in respect of the financial period and has applied the rules of the 'Small Companies Regime' in accordance with section 280C of the Act and section 1A of FRS 102.

b) *Going concern*

The accounts have been prepared on the going concern basis which assumes that the company will be able to meet its liabilities as they fall due. The company incurred a net loss of £39,868 in FY2022 (FY21: £571,000) and has net liabilities of £1,105,454 (FY21: £1,095,671).

The company is currently reliant on financial support from the ultimate parent company, Cann Group Limited. Cann Group have confirmed that they intend to provide adequate financial support to the company for at least 12 months from the date of signing the financial statements.

Management have prepared detailed projections for a period of at least 12 months from the date of approval of the financial statements. These projections show the company is forecasting to increase revenues significantly due to the resolution of regulatory issues facilitating the signing of new customer contracts, growing sales through existing customers as well as introducing new products to their portfolio, indicating they will be able to sustain their operations for the next twelve months.

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Management also continues to assess opportunities to expand their in-store presence in European and other international markets where regulations allow.

The financial statements are prepared on a going concern assumption, which assumes that the company will have sufficient resources to enable it to meet its liabilities as they fall due. They do not include any adjustments that would be necessary if this basis were inappropriate.

c) *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, net of discounts, rebates, value added tax and other sales taxes.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

d) *Foreign currency*

Functional currency and presentation currency

The financial statements are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements are presented in GBP ("£") which is also the functional currency of the company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction or an average rate where this rate approximates the actual rate at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Taxation*

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

f) *Financial instruments*

The company has chosen to adopt the Sections 11 *Basic Financial Instruments* and 12 *Other Financial Instruments Issues* of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, and amount due from group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables and amounts due to group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle to liability simultaneously.

g) Trade and other debtors

Trade debtors, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objection evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Provisions and contingencies

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The company makes judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

a) Critical judgements made in applying the company's accounting policy

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Going concern

As described in the going concern note above, the validity of the going concern basis is dependent upon the company having sufficient financing from its customer contracts to support its operating activities along with financial and operational support from its ultimate parent company, Cann Group Limited. After making enquiries and considering the matters referred to in this note, the directors have a reasonable expectation that the company will have sufficient cash flows from its growing customer contracts and will have adequate resources to continue in operational existence for the

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

- a) **Critical judgements made in applying the company's accounting policy**
foreseeable future. For this reason, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.
- b) **Key sources of estimation uncertainty**
Management is of the opinion that there were no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Stock provision

The Company holds stock amounting to £704k (2021: £590k) after taking into account stock provisions at the end of the financial period. The directors are of the view that an adequate charge has been made to reflect the possibility of stock being sold at less than cost. However, this estimate is subject to inherent uncertainty.

When calculating any stock impairment, the directors consider the nature and condition of the stock, current estimated selling prices, as well as applying assumptions around anticipated saleability of finished goods.

5. EMPLOYEES AND REMUNERATION

The company has no employees other than directors who did not receive any remuneration (2021: nil).

6.	STOCK	2022 £	2021 £
	Raw materials and consumables	3,875	3,875
	Work in progress	-	44,885
	Finished goods	<u>700,169</u>	<u>541,380</u>
		<u>704,044</u>	<u>590,140</u>
7.	DEBTORS	2022 £	2021 £
	Trade debtors	78,226	116,238
	Prepayments	-	1,000
	VAT	<u>-</u>	<u>2,447</u>
		<u>78,226</u>	<u>119,685</u>

SATIPHARM EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. CREDITORS	2022	2021
Amounts falling due within one year	£	£
Trade creditors	17,673	160,733
Amounts owed to group undertakings	1,824,795	1,573,671
Accruals	22,628	31,224
VAT	12,845	-
	<u>1,877,941</u>	<u>1,765,628</u>

9. CALLED UP SHARE CAPITAL	2022	2021
	£	£
Allotted, called up and fully paid:		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10. RESERVES

Profit and loss account

The profit and loss account represent cumulative gains and losses recognised, net of transfers to/from other reserves and dividends paid.

11. RELATED PARTY TRANSACTIONS

The company has availed of the exemption under FRS 102 Section 33 *Related Party Disclosures* from disclosing transactions with members of the same group that are wholly owned.

12. ULTIMATE PARENT COMPANY

Satipharm Europe Limited is a wholly owned subsidiary of Satipharm AG, a company incorporated in Switzerland. Satipharm AG is in turn wholly owned by Cann Group Limited, a company incorporated in Australia.

13. EVENTS AFTER THE PERIOD END

There were no significant events affecting the company after the period end.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board on 28 March 2023.