



## PLACING AND ADMISSION TO TRADING on NEX Exchange Growth Market



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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document or as to what action you should take, you should consult your accountants, legal or professional advisor or financial advisor or an independent professional advisor authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the UK, or, if not, another appropriately authorised independent financial adviser who specialises in advising on the acquisition of shares and other securities.**

This Document comprises an Admission Document drawn up in compliance with the requirements of the NEX Exchange Rules and is being issued in connection with the proposed admission of Freyherr International Group plc to the NEX Exchange Growth Market. This Document does not constitute and the Company is not making an offer to the public within the meaning of sections 85 and 102B of FSMA. This Document is not an approved prospectus for the purposes of and as defined in section 85 of FSMA, has not been prepared in accordance with the Prospectus Rules and its contents have not been approved by the Financial Conduct Authority ("FCA") or any other authority which could be a competent authority for the purposes of the Prospectus Directive. Further, the contents of this Document have not been approved by an authorised person for the purposes of section 21 of FSMA. This Document will not be filed with, or approved by, the FCA or any other government or regulatory authority in the UK.

The Directors of the Company, whose names are set out on page 8 of this Document, have taken all reasonable care to ensure that the facts stated in this Document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the Document, whether of fact or of opinion. The Directors accept full responsibility accordingly, collectively and individually for the information contained in this Document including the Company's compliance with the NEX Exchange Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and there is no other material information the omission of which is likely to affect the import of such information.

The share capital of the Company is not presently listed or dealt in on any stock exchange. Application has been made for the issued ordinary share capital of the Company to be traded on the NEX Exchange Growth Market. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the NEX Exchange Growth Market on 13<sup>th</sup> August 2019.

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# FREYHERR INTERNATIONAL GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11160911)*



## Placing and Admission to trading on the NEX Exchange Growth Market



**CITY & MERCHANT**

**NEX Exchange Corporate Advisor**

### **SHARE CAPITAL ON ADMISSION**

Ordinary Shares of £0.01 each  
Issued Ordinary Shares on Admission  
25,763,868

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The NEX Exchange Growth Market, which is operated by NEX Exchange Limited (NEX Exchange), a Recognised Investment Exchange, is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies.

It is not classified as a Regulated Market under EU financial services law and NEX Exchange Growth Market securities are not admitted to the Official List of the United Kingdom Listing Authority. Investment in an unlisted company is speculative and involves a higher degree of risk than an investment in a listed company. The value of investments can go down as well as up and investors may not get back the full amount originally invested. An investment should therefore only be considered by those persons who are prepared to sustain a loss on their investment. A prospective investor should be aware of the risks of investing in NEX Exchange Growth Market securities and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised under Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Freyherr International Group plc is required by NEX Exchange Limited to appoint a NEX Exchange Corporate Advisor to apply on its behalf for admission to the NEX Exchange Growth Market and must retain an NEX Exchange Corporate Advisor at all times. The requirements for a NEX Exchange Corporate Advisor are set out in the Corporate Adviser Handbook and the NEX Exchange Corporate Adviser is required to make a declaration to NEX Exchange in the form prescribed by Appendix B. This Admission Document has not been examined or approved by NEX Exchange or the Financial Conduct Authority.

City & Merchant Limited, which is authorised and regulated by the FCA, is the Company's NEX Exchange Corporate Advisor for the purposes of Admission. City & Merchant Limited has not made its own enquiries except as to matters which have come to its attention and on which it considered it necessary to satisfy itself and accepts no liability whatsoever for the accuracy of any information or opinions contained in this Document, or for the omission of any material information, for which the Directors are solely responsible. City & Merchant Limited is acting for the Company and no one else in relation to the arrangements proposed in this Document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person on the content of this Document.

**The whole text of this Document should be read. An investment in the Company involves a high degree of risk and may not be suitable for all recipients of this Document. Prospective investors should consider carefully whether an investment in the Company is suitable for them in the light of their personal circumstances and the financial resources available to them.**

#### **OVERSEAS SHAREHOLDERS**

This Document does not constitute an offer to sell, or a solicitation to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not, subject to certain exceptions, for distribution in or into the United States, Canada, Australia, the Republic of South Africa or Japan. The Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Canada, Australia, the Republic of South Africa or Japan or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa or Japan. The distribution of this Document in certain jurisdictions may be restricted by law. No action has been taken by the Company or City & Merchant Limited that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Holding Ordinary Shares may have implications for overseas Shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

#### **NOTICE TO RESIDENTS OF THE UNITED STATES**

Given the focus of the Company's activities, US investors are strongly advised to seek appropriate advice before making an investment in the Ordinary Shares. This Document is in respect of securities of an English company filing an application for all of the issued Ordinary Shares to be admitted to trading on the NEX Exchange Growth Market, and has been created under the disclosure regime provided by the NEX Exchange Rules, which is materially different to disclosure prepared in accordance with US law. As noted above, because this Document does not constitute an offer to the public in accordance with UK provisions, this Document has not been prepared under the retail investor oriented Prospectus Rules made under section 73 of FSMA. If you are a US investor using this Document to assist your diligence regarding the Company, you must be prepared to perform your own diligence in addition to reviewing this Document.

Application for the Issued Share Capital to be admitted to trading on the NEX Exchange Growth Market is not subject to the rules governing the registration of securities under the United States Securities Act of 1933, as amended, nor those of the US states. Neither the Securities and Exchange Commission nor any other US or state securities commission or regulatory authority has approved of or passed an opinion on the accuracy or adequacy of this Document. Any representation to the contrary is a criminal offence. Any financial information regarding the Company included in this Document has been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2006, and may not be comparable to the financial statements of US companies. US generally accepted accounting principles differ in many respects from IFRS. None of the financial information included in this Document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States). It may be difficult for Shareholders who are US persons to enforce any rights and claims that they may have arising under US federal or state securities laws in respect of the Document or their holding of any Ordinary Shares, as the Company is located in a country other than the United States and many of its officers and directors are residents of countries other than the United States. US holders of Ordinary Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgment. Holders subject to tax in the United States, for example, are strongly urged to contact their tax advisers about the consequences of holding Ordinary Shares including the potential applicability of special rules concerning US shareholders of non-US corporations. Also, note, at this time, the Company does not intend to make special accommodations regarding its financial information to assist holders with their US tax obligations. This present intention may cause additional difficulty to US holders when attempting to assess the tax profile of the Ordinary Shares.

**UNDER NO CIRCUMSTANCES SHOULD THIS DOCUMENT BE COMMUNICATED, TRANSMITTED OR OTHERWISE SHARED WITH PERSONS DOMICILED, RESIDENT OR BASED IN THE UNITED STATES OF AMERICA ITS TERRITORIES OR POSSESSIONS OR WHO MAY OTHERWISE BE CONSIDERED AS UNITED STATES PERSONS, INCLUDING REPRESENTATIVES OF UNITED STATES COMPANIES OR NON-UNITED STATES SUBSIDIARIES OF UNITED STATES COMPANIES UNLESS THEY HAVE RECEIVED INDEPENDENT LEGAL ADVICE FROM THEIR OWN ADVISERS THAT THEY ARE ENTITLED TO RECEIVE THIS DOCUMENT.**

#### **FORWARD-LOOKING STATEMENTS**

This document includes "forward-looking statements" which include all statements other than statements of historical facts including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "plan", "project", "believes", "estimates", "aims", "intends", "can", "may", "expects", "forecasts", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual results, performance or achievements to differ materially from those in forward looking statements include factors in the section entitled "Risk Factors" and elsewhere in this document. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions in relation to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this document may not occur. Prospective investors should be aware that these statements are estimates, reflecting only the judgement of the Company's management and prospective investors should not therefore rely on any forward-looking statements.

By accepting this document you agree to be bound by the above conditions and limitations.

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## DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

“Act”	the Companies Act 2006 (as amended);
“Admission”	admission of the issued ordinary share capital of the Company to trading on the NEX Exchange Growth Market becoming effective in accordance with the NEX Exchange Rules;
“Articles” or “Articles of Association”	the articles of association of the Company from time to time;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 8 of this Document;
“Business Day”	a day other than Saturday or Sunday or a public holiday in England and Wales;
“City & Merchant”	City & Merchant Limited, NEX Exchange Corporate Advisor to the Company, which is authorised and regulated by the FCA;
“City Code”	the City Code on Takeovers and Mergers;
“Code Event”	a transaction which would give rise to a requirement under the City Code;
“Company” or “Freyherr International”	Freyherr International Group plc, a company registered in England and Wales with company number 11160911;
“Corporate Governance Code”	the UK Corporate Governance Code as published by the Financial Reporting Council from time to time;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended;
“d.d.”	delniška družba – a public limited liability company in Slovenia and other constituent parts of the former Yugoslavian Republic;
“d.o.o.”	družba z omejeno odgovornostjo – a limited liability company in Slovenia and other constituent parts of the former Yugoslavian Republic;
“DTR”	the Disclosure Guidance and Transparency Rules issued by the UK Listing Authority;
“Document”	this document and its contents;
“FCA”	the Financial Conduct Authority;
“Freyherr Pharma”	Freyherr Pharma d.o.o., a company incorporated in Slovenia with company no. 3501523000 and whose registered office is at Vanganelaska cesta 26, 6000 Koper, Capodistria, Slovenia;
“Freyherr Slovenia”	Freyherr d.o.o., a company incorporated in Slovenia with company no. 7196997000 and whose registered office is at Kersnikova ulica 10, Ljubljana, 1000, Slovenia;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);

“Group”	the Company together with its Subsidiaries;
“Helford”	Helford Capital Partners LLP, a limited liability partnership registered in England and Wales with registered no. OC374783;
“Initial Price”	170 pence per Ordinary Share;
“Issued Share Capital”	the issued ordinary share capital of the Company upon Admission;
“MAM”	MAM d.o.o. Sveti Nikole, a company incorporated in the Republic of North Macedonia with registered no. 6695221 and whose registered office is at Ovcepolski Pat BB, Sveti Nikole, North Macedonia;
“MAR” or “Market Abuse Regulation”	EU Regulation 596/2014 of the European Parliament and the Council of 16 <sup>th</sup> April 2014, as amended from time to time;
“MDA 1971”	the Misuse of Drugs Act 1971 (as amended);
“MDR 2001”	the Misuse of Drugs Regulations 2001 (S.I. 2001/3998);
“MDDO 2001”	the Misuse of Drugs (Designation) Order 2001;
“Medicinal Cannabis”	cannabis, including one or more of its constituent cannabinoids, as a form of medicine or herbal therapy to treat disease or improve or alleviate symptoms such as pain, muscle spasticity, nausea and other indications;
“NEX Exchange”	NEX Exchange Limited, a recognised investment exchange under section 290 of FSMA;
“NEX Exchange Growth Market”	the market for unlisted securities operated by NEX Exchange;
“NEX Exchange Rules”	the NEX Exchange Growth Market Rules for Issuers, which set out the admission requirements and continuing obligations of companies seeking admission to, and whose shares are admitted to trading on, the NEX Exchange Growth Market;
“North Macedonia”	the Republic of North Macedonia previously known as the former Yugoslav Republic of Macedonia;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company;
“Patron”	Patron d.o.o. a company incorporated in Slovenia with company no. 6757260000 and whose registered office is at Kersnikova ulica 10, 1000 Ljubljana, Slovenia;
“PCX”	PCX Invest, Svetovalni inženiring d.o.o. a company incorporated in Slovenia with company no. 13294946 and whose registered office is at Stara Cesta 22, Dragonic 1351, Brezovica;
“Persons Discharging Managerial Responsibility”	as defined in MAR, as may be amended from time to time, and refers to any person fulfilling such function for the Company or any of its subsidiaries from time to time and as at the date of this Document;
“Placing Shares”	The 2,525,252 Ordinary Shares available for subscription immediately prior to Admission;
“POCA 2002”	Proceeds of Crime Act 2002;

“RIS”	a Regulated Information Service which is a Primary Information Provider (PIP) that is approved by the FCA to disseminate regulatory information to the market and is on the list of Regulated Information Services maintained by the FCA;
“Shareholders”	the persons who are registered as the holders of Ordinary Shares from time to time;
“Slovenia”	the Republic of Slovenia;
“South Eastern Europe”	the part of Europe consisting of the coterminous Balkan peninsula and including Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Greece, Kosovo, Montenegro, North Macedonia, Romania, Serbia and Slovenia;
“Subsidiary”	as defined in the Act;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“US”, “USA” or “United States”	the United States of America;
“US Securities Act”	the United States Securities Act of 1933 (as amended).

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this Document 9<sup>th</sup> August 2019

Admission to trading on the NEX Exchange Growth Market becoming effective and commencement of dealings in the Ordinary Shares 8 a.m. on 13<sup>th</sup> August 2019

Each of the times and dates set out above and mentioned elsewhere in this Document may be subject to change at the absolute discretion of the Company.

## SHARE CAPITAL AND ADMISSION STATISTICS

Ordinary Shares in issue at the date of this Document 25,763,868

Initial Price 170p

Market capitalisation on Admission at the Initial Price £43,798,576

NEX Exchange Growth Market symbol (TIDM) FRYR

ISIN Number GB00BJK3K011

LEI 213800XMPEIC8VQYNF95



## DIRECTORS, SECRETARY AND ADVISERS

### Directors

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# PART I

## INFORMATION ON THE COMPANY

### 1. Introduction

Freyherr International Group plc was incorporated on 22<sup>nd</sup> January 2018 as City & Merchant Shelf 8 Limited and was dormant until 20<sup>th</sup> February 2019 when the Company acquired Freyherr d.o.o. a Slovenian private company. The Freyherr Group in Slovenia was reconstructed with Freyherr d.o.o. acquiring Patron d.o.o., also a Slovenian private company and the 30 per cent. of Freyherr Pharma d.o.o. which it did not already own. All these transactions have been completed in exchange for shares issued by Freyherr International and are further set out in Paragraph 2 of Part IV of this Document, with the exception of 30 per cent. of Freyherr Pharma which has been acquired for €500,000 plus the repayment of a shareholder loan of €233,000, to be settled by the issue of shares at the Initial Price upon Admission. Further details are provided in Paragraph 2 of Part IV of this Document.

Application has been made for the Ordinary Shares to be admitted to trading on the NEX Exchange Growth Market. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on 13<sup>th</sup> August 2019.

### 2. The Freyherr Group

The trading group consists of three companies headquartered in Slovenia and an investment in a North Macedonian company which owns and operates a hybrid greenhouse (and over which it has management control), all directly operated by the management team.

#### **History**

The business started when Patron was founded by Luka Freyer in January 2015 in response to the need to find accurate dosing systems for his grandmother. In 2016, Tomaž Frelj and Eva Tavčar Benkovič joined with him to create Freyherr d.o.o. The first trading year for the combined businesses was 2017 and €1 million was invested to take the them forward during 2018. As a result of their efforts, the skill and knowledge of the complete cannabis cycle from seed to retailer, together with attendant regulatory requirements, resides with the Group's directors and senior employees.

#### **Principal Activities**

Freyherr acquires hemp from farms in Slovenia and CBD extract from other sources, Freyherr Pharma processes it to produce CBD products while Patron provides the packaging and dispensers. Freyherr Pharma then distributes the product either as white label (approximately 75 per cent.) or to Freyherr Slovenia to be marketed under the Freyherr brand name. Sales are currently made to Austria, Croatia, Germany, Italy, Slovenia, Spain, Switzerland, North Macedonia and the United Kingdom and to a lesser extent Bulgaria, Cyprus, Ireland, Lithuania, the Netherlands, New Zealand, Poland, Romania and USA.

Freyherr Pharma is an approved pharmaceutical centre (certificate of Good Manufacturing Practice from the Agency for Medicinal Products and Medical Devices of the Republic of Slovenia). All three of these operations are located in Slovenia.

#### **Operating Companies**

##### 2.1 *Freyherr Slovenia*

Freyherr Slovenia acts as the parent company of the trading group and is the largest operating unit in the Group.

##### *Cultivation of Cannabis in Slovenia*

In 2018 Freyherr Slovenia grew cannabis in Slovenia in two locations, Krvavec in the mountainous Alpine area and Strunjan, in the Mediterranean area of Slovenia, totalling 1.5 hectares. Different methods of cultivation were tested on hemp and the results analysed for cannabinoid content to obtain information on yield dynamics, crop maturity and CBD/THC ratio. The project provided new cultivation and scientific information that will be applied to the 2019 growing season.

This year Freyherr Slovenia has commenced cultivation of hemp on 20 hectares of agricultural land rented on long-term rental contracts, located in the Mediterranean climate region in Sečovelje, Slovenia. Freyherr Slovenia provides the expertise, the selection of seed and production support through all phases of production.

The region's climate should enable two harvests per year with the first test planting of 8.5 hectares having taken place in March. A second phased test planting of 15 hectares is expected to produce a harvest in September and October. Flowers will be sampled every few days to be analysed for cannabinoid content, to obtain information on crop maturity and CBD/THC ratio. It is anticipated that the crop should produce approximately 10 tonnes of biomass which, if submitted for commercial extraction, should yield approximately 200 kg of 99.9 per cent. CBD.

At the present time, Freyherr is able to produce hemp at a cost of approximately €2.5 per kg of biomass which compares favourably with Canadian producer costs estimated to be €13 per kg.

#### *Sales*

Freyherr is able to mix 99.9 per cent. pure CBD isolate and extract with oils to any specification or formula and sales are currently largely made to order for other distributors and retailers. It is intended to make the Freyherr name synonymous with consistent and high quality medicinal cannabis products.

#### *2.2 Patron d.o.o.*

Patron's business consists of the design and production of a variety of containers and accurate dispensers for natural extracts for medicinal and general use (which includes cannabis products) which includes the complete cycle of product handling for such products. These are available through on line sales channels and/or through distributors in South Eastern Europe and North America.

#### *2.3 Freyherr Pharma d.o.o.*

Freyherr Pharma is the core pharmaceutical production unit for the Group and is the subject of a major investment to be made following Admission. It currently produces food grade CBD products as white label products for other customers. It also produces medicinal cannabis products for the Group for sale in North Macedonia. The present facility is fully compliant with local laws and regulations and is capable of producing 40,000 units per month of bottled cannabis isolate or extract in oil typically of 10 and 30 ml each. The expansion plan for Freyherr Pharma is set out below under Future Developments.

#### *2.4 Investment in MAM*

MAM, located in North Macedonia, originally grew tomatoes as a cash crop but has, led by the management team, been converted into a medicinal cannabis plant producer. The first crop was harvested in 2018 and is for sale.

Freyherr Slovenia has invested €200,000 in permanent capital for a 15 per cent. share and has advanced approximately €750,000 of additional capital by way of loans. There is no further financial input required from Freyherr Slovenia and the loans are repayable on the sale of the crop. The crop available is estimated to have a sale value of up to €9 million but sale opportunities are restricted by buyer requirements. Intercompany trading between MAM and the Group is not anticipated.

### **Future Developments**

Management is of the clear view that, with the regulatory environment being so disparate and uncertain, the route to growth for the business will be to develop on a country by country basis. Accordingly, having demonstrated the efficacy and compliance of its unit in Slovenia, the Group intends to develop by joining local in-country partners and providing the skill, knowledge, technical and regulatory compliance required in each jurisdiction to be able to grow, harvest, extract, package, distribute and sell medicinal cannabis product. From their own direct experience, management estimates the cost of a new greenfield site to be circa €8 million with a development period of 12-18 months and a payback period of 9 months following commencement of production, assuming adequate supply of raw material and a suitable sales channel. Discussions are in hand in regard to a number of locations in Europe.

As the first step in this process, the Group wishes to invest up to €5.5 million to upgrade the extraction facility at Freyherr Pharma to pharmaceutical standards and increase output to meet rising global demand

for CBD products, such as food supplements, cosmetic ingredients and, with the most added value, active pharmaceutical ingredients, and to establish a cannabinoid research and analytical centre. Management has prepared and costed a detailed incremental development plan for the facility. The increased throughput, together with improved extraction techniques, is projected to provide a payback of less than 18 months from completion. Following completion of the development, the facility will be capable of producing 200kg/month of 99.9 per cent. CBD, although this is not expected in the short term.

While the Group is trading positively, waiting for internally generated cash flow to complete the investment in Freyherr Pharma would potentially allow competitors to enter the market and catch up with the technical and regulatory skills of the Group. Accordingly the Group is seeking to raise up to €5.5 million for investment in the Freyherr Pharma facility. Should the Group be able to raise further amounts, these will be invested in commencing the process for a new greenfield facility to be built in Europe.

The Company will also consider acquisition opportunities should these arise.

### **3. Regulatory approvals**

Freyherr Slovenia holds regulatory approvals for cosmetic products and is in the process of applying for approval to manufacture pharmaceutical products in Slovenia.

Freyherr Pharma has a GMP certificate for the production of homeopathic medicines, from the Agency for Medicinal Products and Medical Devices in Slovenia. It will be applying for an additional GMP certificate to manufacture medicinal cannabis products immediately after being funded.

MAM has a licence to produce medicinal cannabis products in North Macedonia.

### **4. Market Opportunity**

The market for medicinal cannabis has expanded recently as countries become aware of the medicinal and other benefits of cannabinoids as a pharmaceutical substance, food supplement and for use in cosmetics. The European Cannabis Report (January 2019) estimates the medicinal market (including both medical and pharmaceutical cannabis), the Group's chosen sphere of activity, to be €58 billion by 2028. This estimate assumes that all markets have implemented legislation. It further states:

“Cannabidiol (CBD) is one of the many cannabinoids found in the cannabis plant. It is currently experiencing a growth in interest owing to its numerous health benefits (with no reported side-effects even at high doses). The versatility of CBD means it can be used in many formats including teas, oils, tinctures, capsules and balms and increasingly used as a food supplement and as an ingredient in cosmetics. The retail value of Europe's health and wellness market was estimated to be worth some €180 billion in 2018, a rise in value from €151 billion in 2013. This growth is attributable to growing health literacy across Europe with people becoming better-versed in how to improve their health through changes in lifestyles and supplementation. As a result, people are taking greater responsibility for their mental health and physical well-being. Figures published by the WHO estimate that some 25 per cent. of Europe's population suffers from depression or anxiety, and given the mood-enhancing benefits of CBD, demand for CBD-based products that can boost mental health will experience strong growth. Segment performance will be further propelled by growing availability of CBD consumer goods through ingredient innovation from big brands in mainstream consumer goods markets.”

### **5. Current Legislative Environment and Internal Policies and Procedures**

The regulatory overview relating to cannabis and cannabis derived products is complicated and in a constant state of flux with sometimes complementary and sometimes conflicting rules and regulations forthcoming from various national and supra-national bodies.

International law mandates the control of cannabis plants and products. However, provided the right controls are followed, medicinal, scientific and industrial use may be permitted, but recreational use is generally not.

The Single Convention on Narcotic Drugs of 1961, as amended by the 1972 Protocol, and the Convention on Psychotropic Substances of 1971 have classification systems that include different cannabis categories, based on risk and therapeutic value.

The cannabis authority for each country issues rules for:

- Provisions for manufacturing;
- Limits on quantities manufactured for export based on market needs;
- Prevention of misuse and illicit trade;
- Licensing manufacturers and overseeing producers;
- Controls for international trade and distribution;
- Requirements for supervision and inspection of the manufacture of cannabis products.

In Europe the picture is further complicated by the application of sometimes conflicting EU regulations covering related areas such as the inclusion of CBD products in consumable products including food supplements, teas, and retail cosmetic products. The Novel Foods Regulations as they apply to CBD are currently under review by the European Food Safety Agency.

There is pressure from various bodies and public opinion for the relaxation of rules regarding the use of medicinal cannabis and the World Health Organisation has recently recommended changes to the classification of cannabis and cannabis derived products drawing a clear distinction between THC and CBD rich products.

Cannabis is now legal for medicinal purposes in 44 global countries and this number is likely to increase. However, access to medicinal cannabis differs from country to country. Some countries allow only certain physicians to prescribe — for instance, the United Kingdom — while others allow any physician to do so — as in Germany, where any doctor other than dentists and veterinarians can prescribe cannabis. Some countries have a specific list of conditions for which cannabis can be prescribed, while others leave it to the discretion of doctors.

For those special programs that allow access to medicinal cannabis, companies selling cannabis extracts are usually required to demonstrate quality and consistency of their products, for instance, by having EU-GMP certification, but no proven efficacy to treat specific conditions is demanded.

### ***Internal Policies and Procedures***

Given the ever-changing environment, the Company has established its own legal department led by Irena Dimitrič as Head of Legal and Compliance. The legal department is tasked with the establishment and implementation of legal risk management. The following is extracted from the Company's Policy manual.

“Legal risk management ensures the timely assessment of the influences of various factors on the Freyherr Group's operations. In particular, this process requires due consideration of legal, economic and social factors as well as an understanding and due consideration of the business environment in which the Freyherr Group operates.

Within the organisational environment, risk management constitutes the process through which the Freyherr Group and its individual members identify potential risks, determine acceptable risk levels for individual areas, paying particular attention to permissible (acceptable) risks based on the Freyherr Group's business objectives, and manage and mitigate legal risks throughout the Freyherr Group. Legal risk management takes place informally, through the regular activities of the legal department; however, the legal department may also take part in formal risk assessments made by other departments (e.g. the controlling department).

The legal department is tasked with protecting the Freyherr Group against risks associated with:

- violations of laws and costs arising from the decisions of administrative and judicial bodies;
- civil and/or criminal liability;
- legal proceedings;
- damage and loss of profits due to breaches of contractual provisions or non-compliance with good business practices by counterparties;
- infringements of Freyherr's trademark, know-how and registered intellectual property;

- any loss or impairment of competitive advantage; and
- any loss or impairment of the Freyherr Group's reputation in the domestic and international market.”

In addition, “The legal department is tasked with monitoring compliance with laws, internal rules, the rules of the profession and good practices and ensuring that the Freyherr Group and all individuals associated with it (e.g. employees) are familiar and comply with the applicable laws, regulations and commercial rules and agreements and that those laws, regulations, rules and agreements are understood and complied with within the Freyherr Group.

In order to ensure that work is organised in accordance with the applicable legislation and provide adequate supervision, the legal department works closely with management bodies and other departments to harmonise objectives and ensure appropriate communication.”

It is the policy of the Group that by carefully reviewing the prevailing rules and regulations in each country in which or into which the Group intends to trade, the acknowledged regulatory risk can be mitigated.

### ***Environmental Policy***

The Freyherr Group advocates compliance with the highest standards of environmental protection. The Group works continuously to monitor, measure and reduce the environmental impact of its business activities. The Group considers the economic and ecological impact of business as equally important and is always looking for solutions that will minimise its environmental footprint.

The research and development team is dedicated to developing cultivation solutions that benefit the environment. The Group's know-how is based on hybrid greenhouse technology that the Group has developed with its business partners, which combines cultivation knowledge with technology with the intention of optimising growing conditions with minimum usage of electricity and outside energy sources.

**Your attention is drawn to the Risk Factors set out in Part II of this Document.**

## **6. Reasons for Admission to the NEX Exchange Growth Market**

The Directors believe that Admission will offer the following benefits to the Company:

- access to funding – the Directors believe that Admission will enable the Company to access capital at later dates more effectively than if it were an unquoted company;
- increased corporate profile – the Directors believe that the status of being a company whose shares are traded publicly would benefit its profile;
- ability to attract and retain key staff – the ability to motivate personnel through the future grant of share options will assist the Company to attract, retain and motivate high calibre personnel;
- attractiveness to potential joint venture partners – management believes that potential partners will be more ready to partner with a quoted company;
- regulatory status – given the sector in which the Group operates, open reporting, market information and the transparency required of a publicly traded company should enhance the Company's status with regulatory authorities.

## **7. Financial Information**

The Company was incorporated on 22<sup>nd</sup> January 2018 and has not yet commenced trading operations. The Company's subsidiary Freyherr Slovenia was incorporated 21<sup>st</sup> December 2016. Freyherr Slovenia acquired 70 per cent. of Freyherr Pharma on 3<sup>rd</sup> September 2018 and the remaining 30 per cent. was acquired through an agreement dated 9<sup>th</sup> April 2019. Patron, the company in which the founders initially entered the cannabis market as producers of cannabis extract dispensers, was incorporated on 8<sup>th</sup> January 2015 and was acquired by Freyherr Slovenia through an agreement dated 20<sup>th</sup> February 2019.

Audited Accounts for Freyherr International Group plc are set out in Part III Section A of this document. Audited consolidated financial statements for Freyherr Slovenia and its subsidiary for the year to

31<sup>st</sup> December 2018 are set out in Part III Section B of this Document. The consolidation is under International Financial Reporting Standards and thus includes the 70 per cent. ownership of Freyherr Pharma from 3<sup>rd</sup> September 2018. Freyherr Slovenia's auditors have prepared a proforma consolidated income statement to show how the Group would have performed for the year to 31<sup>st</sup> December 2018 as a group. The same auditors have also prepared a pro-forma balance sheet as at 31<sup>st</sup> December 2018. These figures are given in Part III Section C.

Since the year end, the Group has acquired the property occupied by Freyherr Pharma for €799,000 from the liquidators of the previous owner. It was able to do so under Slovenia's Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act invoking the tenant's pre-emption right in the public tender sale process. The property subsequently has been independently valued at €1,292,200.

The purchase was financed through a short term loan of €700,000 repayable on 7<sup>th</sup> July 2019 unless otherwise extended in accordance with its terms. The terms of the loan are given in Part IV of this Document. Freyherr Slovenia also obtained a loan from Gedala Limited, a company controlled by Boris Eržen, for €250,000 on arms-length commercial terms, to acquire additional stock. The Company is currently negotiating a 15 year repayment mortgage and a five year loan facility to refinance these two loans. As at the date of this Document, indicative terms have been received but not yet finalised. Accordingly, it was agreed to extend the repayment dates of the loans from PCX and Gedala Limited as set out in further detail in paragraphs 11.14 and 11.15 of Part IV of this Document, pending conclusion of the indicative offer.

The proforma consolidated figures for the two years of trading are:

<i>Year ended 31<sup>st</sup> December</i>	<i>2018</i>	<i>2017</i>
	<i>€'000</i>	<i>€'000</i>
Sales	1,513	447
Gross margin	659	254
Profit/(Loss) before tax	74	27
Group Net Assets	1,060	

## **8. Competition**

While the Medicinal Cannabis sector is currently garnering increasing interest from investors, Europe's roster of quoted cannabis companies is still quite short. In the UK there are a handful of companies quoted on the NEX Exchange, and all of them were set up as investment vehicles (the Group is a vertically integrated 'Research/Cultivator/Consumables Manufacturer).

However, because of Europe's growing acceptance of cannabis, and an increasing appetite from a wide range of investors – particularly for medicinal use – there is significant interest from medical cannabis companies for stock market listings in Europe in order to take advantage of investor interest in cannabis.

The Company has positioned itself as a vertically integrated medicinal cannabis specialist, with a focus on research and development; cultivation and distribution (of medicinal quality product); and manufacture and marketing of its own brand of 'consumables' and dosing and filling devices.

The Company does not know of any direct competitors currently operating in Europe (companies with either a similar profile or suite of services) but does consider that its main competition in the short to medium term will most likely come as indirect competition from companies quoted on the Canadian and US markets. Some of these have a significant advantage over European companies, being well capitalised, they have raised large cash war chests, and will be looking to move into production in Europe through either direct purchases, or the creation of joint ventures.

## **9. Directors and Senior Employees**

**Tony Burke** – *Non-executive Chairman*, (age 59)

Tony Burke started his career in the City of London in the late 1970's on the floor of the London Stock Exchange as a 'stockjobber' and was made an 'individual' member of the London Stock Exchange in 1985. Tony has spent the last 40+ years serving as either principal or director in both established and emerging

investment firms within the areas of fund management, proprietary trading, stock broking, and investor relations.

Over his long career Tony has built strong, broad-based relationships with buy-side institutions, fund managers, sell-side analysts, investment banks, family offices, and professional investors. He has also worked – as a director and/or principal – on three different continents.

Some of the areas he has been active in are: Social Impact Investment; Renewable Energy; Long/Short equity strategies; Infrastructure; Cash and Cash Equivalents; FinTech, Real Estate; Specialist Investments.

**Tomaž Frelih** – *Chief Executive, (age 35)*

Also managing director of Freyherr Slovenia and MAM, Tomaž originally studied Computer and Information Science at Ljubljana University becoming President of the Student Union in 2007 representing 120,000 students with ultimate responsibility for a €15 million budget. His interest in the commercialization of knowledge led to him establishing a start-up school connecting early stage companies to investors from South Eastern Europe and subsequently the USA. In 2011 he established a Silicon Valley branch office to continue connecting investors and start-up projects. He and his team helped raise \$45 million for 600 plus teams and companies that pitched at more than 200 events.

In start-up school he held various interim CEO roles. He co-founded Patron, and subsequently Freyherr Slovenia, with Luka Freyer who he met when Luka attended the start-up school in Slovenia seeking finance for a cannabis business. Together they have grown the business from three original founders to a group of three distinct but complementary businesses employing 28 people in under two years.

**Luka Freyer** – *Business Development Director, (age 42)*

Luka Freyer, is an experienced entrepreneur and is the founder of Patron and the co-founder of Freyherr Slovenia. Originally working in sales and then business development he founded and developed several businesses before joining the start-up school in 2014 where he met the co-founder of Freyherr Slovenia, Tomaž Frelih.

Having developed Patron's first precision dispenser for cannabis oil in 2014 this led him to become one of the early experts and developers of the medicinal cannabis industry in Europe. His main area of expertise is in flower production, GMP standardization, extraction technologies and product quality management. He oversaw the process of obtaining one of the first medical cannabis licence applications in North Macedonia and successfully registered a fully operational 20,000m<sup>2</sup> sophisticated cannabis production facility in April 2017.

Currently he is involved in opening new market opportunities for the Group, and expanding the Group's global footprint.

**Eva Tavčar Benković M. Pharm., Ph.D.** – *Technical Director, (age 33)*

Having originally graduated from the Faculty of Pharmacy, University of Ljubljana with a Master of Pharmacy degree Eva went on to obtain a PhD in biomedicine. She specialises in phytochemistry and the effects and quality of herbal medicinal drugs and has been researching and developing herbal medicines, food supplements and cosmetic products for over 10 years. Although she is currently working full time for the Group she remains a researcher and assistant professor at the Faculty of Pharmacy, University of Ljubljana, and continues to present the occasional lecture and mentor pharmacy students which she has done for eight years. Her particular interest in cannabis research and its medicinal properties began when she developed an analytical method for the determination of cannabinoid content. She has held a community pharmacy licence since 2010.

She is acknowledged as an expert in her field and has contributed to peer-review scientific papers, some book chapters and various articles on Cannabinoids. She has given evidence as an expert witness in court and been interviewed on Slovenian national television as an expert on cannabis. She is responsible for the technological development of the Group, which includes overseeing the activities of experts in the fields of agronomy, chemistry, pharmacy, compliance and medicinal impact, and covers development of methods of production from seeds to the constituents of the final products and their potential uses.



**Boris Eržen** – *Non-executive, (age 41)*

Boris Eržen originally trained as a lawyer and has a LL.B from the Faculty of Law, University of Ljubljana and a LL.M. from University of London. He has worked in start-ups for the last 14 years as a general counsel, mainly in the IT industry where he has managed all legally related activities of quickly growing companies, including preparation for the entry of professional investors.

At Slovenian search-engine Najdi.si he developed the legal function to support over 100 employees and enable its sale to local telco Telekom Slovenije for more than €10 million. In 2011 he joined Outfit7 as general counsel and helped make the “Talking Tom” franchise a multi-billion download hit with over 200 employees. The company was sold to a consortium of Chinese investors under the leadership of United Luck for US \$1 billion in 2016. His expertise principally lies in corporate structuring, IP protection, contract negotiation and building a legal function in a start-up in a way which facilitates exponential growth while ensuring legal compliance throughout the organisation.

**Other Senior Management**

The Group has an extensive base of employees within the operating areas it controls:

**Melita Kolbezen M.Sc** (*Chief Financial Officer*)

Melita has an MSC in Economics from Ljubljana and has more than 20 years business experience in accounting and the financial control of companies operating in multiple retail markets. In 2001 she joined Mercator, an FMCG company with sales of €2.2 billion and one of the largest corporate groups in South Eastern Europe. She was promoted through the accounting and audit function to become the Executive Director of Finance, Controlling, Accounting and Internal Audit to the controlling company, Poslovni sistem Mercator, d.d. in 2012.

She has subsequently been Head of Licensing at Outfit7, the Slovenian video game developer whose Talking Tom and Friends apps have been downloaded 8 billion times, and more recently she established Advico d.o.o., an accounting and consulting company for SME companies in Slovenia and surrounding countries.

As well as providing her services to the Group Melita is also currently an occasional lecturer at the Slovenian Institute of Auditors teaching part of the Certified Auditor course.

**Damjan Gajšek** (*Managing Director, Patron*)

Damjan has a Masters in defence studies from the Social Sciences Faculty of Ljubljana University but chose to join industry eventually becoming the Regional Sales Manager for a 150 employee Slovenian company that produces and sells PVC building furniture, picture framing materials and machines including plastic, aluminium, and wooden windows and doors for markets in Slovenia, Montenegro and Bosnia Herzegovina.

In May 2018 he joined Freyherr Slovenia as operations and purchasing manager and in January 2019 he became managing director of Patron where he is responsible for sales growth, marketing and product development. His aim is to improve and upgrade existing products to include features for accurate dosing of cannabis products and establish the Patron brand as a leading packaging solution in the industry.

**Uroš Ocepek** (*Head of Cultivation*)

Uros is an engineer of chemical technology with over 14 years' experience of working for major European pharmaceutical companies principally in formulation development, technology transfer, and the development of analytics. He also has experience in developing and implementing a pharmaceutical continuous manufacturing line.

He currently manages the Group's agronomy experts and manages plant production processes from seed to harvest with the aim of improving quality and yield and helps to refine the processes and procedures of chemical extraction and isolation of cannabis products.

**Irena Dimitrič** (*Head of Compliance and Legal*)

Irena is responsible for all legal aspects of business with an emphasis on compliance management, corporate integrity and corporate culture. Irena graduated in Law from the University of Ljubljana in 2009 and has built her career as an in-house lawyer predominantly in the field of compliance and corporate governance. She participated in the preparation of the Slovenian Corporate Governance Code for listed

companies (2009), and Companies with State Capital (2011) is co-author of the Supervisory Board Assessment Manual (2011) and was an external member of the audit committee of the Supervisory Board of Elektro Primorska d.d. (2011-2013).

In addition to several years of experience as a legal advisor in the field of corporate governance her career includes 6 years at an international IT service company where she was head of Legal and Quality Management Systems including ISO 9001 and Information Security Management ISO 27001a as well as time at a blockchain start-up where she was responsible for compliance and risk management.

**Ziva Valenčič M. Pharm.**, (*Qualified Person, Freyherr Pharma*)

Živa Valenčič completed her Master of Pharmacy in 2014 at Ljubljana University and is the Qualified Person responsible for certifying that each batch of medicinal product produced by Freyherr Pharma is suitable for release for sale or for use. She conducts regular internal audits, including reviews of production processes and procedures including necessary corrective and preventative actions in order to maintain a consistent quality of medicinal product. She has a good understanding of all aspects of the manufacturing and supply chain requirements for compliance with GMP.

## **10. Warrants**

The Company has entered into a warrant agreement with City & Merchant dated 10<sup>th</sup> June 2019 pursuant to which City & Merchant has been granted warrants equivalent to 1 per cent. of the Company's share capital on Admission, as enlarged by the warrants. The warrants are exercisable in five tranches and at prices between the Initial Price and the Initial Price plus 200 per cent. Further information is provided in Part IV of this document.

## **11. Key Staff Share Option Scheme**

The Company intends to adopt a management incentive share option scheme to grant options under the scheme to recruit/retain/reward directors and key staff. The option scheme is intended to incentivise the management and employees.

Any outstanding options will be limited to a maximum of 5 per cent. of the ordinary issued share capital of the Company at any time.

## **12. Lock-In Agreements and Orderly Market Arrangements**

### *12.1 Directors' Lock-In Agreements*

Each of the Directors, other than Tony Burke who does not hold any Ordinary Shares, have entered into a Lock-in Agreement with City & Merchant and the Company not to dispose of any Ordinary Shares held by him or her for a period of 12 months from Admission (the "Lock-in Period"). In addition, he or she has undertaken to the Company and City & Merchant not to dispose of Ordinary Shares for a period of 12 months after the end of the Lock-In Period without first consulting the Company and City & Merchant in order to maintain an orderly market for the Ordinary Shares.

### *12.2 Shareholder Lock-In Agreement*

The Beautiful Things Foundation has entered into a Lock-in and Orderly Markets Agreement with City & Merchant and the Company not to dispose of any Ordinary Shares held by it for a period of 12 months from Admission (the "Lock-in Period"). In addition, it has undertaken to the Company and City & Merchant not to dispose of Ordinary Shares for a period of 12 months after the end of the Lock-In Period without first consulting the Company and City & Merchant in order to maintain an orderly market for the Ordinary Shares.

## **13. Dividend Policy**

Investors should be aware that the Group will be capital hungry in its earlier stages and that further share issues to fund future growth are to be expected. Retention of capital for expansion is thus a key feature and dividends are not anticipated in the short to medium term. The Company intends to adopt a dividend policy in due course which will reflect the growth of its activities.

## **14. Corporate Governance**

The Corporate Governance Code does not apply to companies admitted to trading on the NEX Exchange Growth Market, therefore the Company is not required to comply with the Corporate Governance Code. However, the Directors are committed to maintaining high standards of corporate governance, and propose, so far as is practicable given the Company's size and nature, to comply with the Corporate Governance Code. Following Admission, due to the size and nature of the Company, audit and risk management issues will be addressed by the Directors as a whole, rather than by separate committees. As the Company develops, the Board will consider establishing separate audit and risk management committees and will consider developing further policies and procedures, which reflect the principles of good governance.

The Company has adopted a share dealing code for dealings in securities of the Company by the Directors and Persons Discharging Managerial Responsibility which is appropriate for a company whose shares are traded on the NEX Exchange Growth Market. This will constitute the Company's share dealing policy for the purpose of compliance with UK legislation including the Market Abuse Regulation and Rule 71 of the NEX Exchange Rules. It should be noted that the insider dealing legislation set out in the Criminal Justice Act 1993, as well as provisions relating to market abuse, will apply to the Company and dealings in Ordinary Shares.

The Company has implemented an anti-bribery and corruption policy and has also implemented appropriate procedures to ensure that the Board, employees and consultants comply with the Bribery Act 2010.

The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Company.

## **15. Application to the NEX Exchange Growth Market**

Application has been made for the Issued Share Capital of the Company to be admitted to trading on the NEX Exchange Growth Market. Dealings in the Ordinary Shares are expected to commence on 16<sup>th</sup> July 2019.

The Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all dividends and other distributions hereafter declared, paid or made on the ordinary share capital of the Company.

## **16. CREST**

The Articles of Association are consistent with the transfer of Ordinary Shares in dematerialised form in CREST under the CREST Regulations. Application has been made for the Ordinary Shares to be admitted to CREST on Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to receive and retain certificates in respect of their Ordinary Shares will be able to do so.

## **17. Taxation**

### *17.1 Taxation in the UK*

The Ordinary Shares do not rank as a "qualifying investment" for the purposes of the Enterprise Investment Scheme nor as a "qualifying holding" for the purposes of investment by Venture Capital Trusts.

Information regarding taxation in relation to the Ordinary Shares is set out in paragraph 8 of Part IV of this Document. These details are, however, intended only as a general guide to the current tax position under UK taxation law, which may be subject to change in the future. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

### *17.2 Taxation in Slovenia and North Macedonia*

Generally, the Group will suffer corporation tax on its profits in Slovenia (currently 19 per cent.) and MAM in Macedonia (currently 10 per cent.). As at the date of this document, there is no withholding

tax on dividends distributed to the UK from Slovenia, while Macedonia imposes 15 per cent. withholding tax on dividends to Slovenia and 5 per cent. on dividends to the UK.

Following Brexit, these rates may change. There is no UK corporation tax on dividends received from abroad and no withholding tax on dividends paid out overseas.

## **18. Dissemination of Regulatory and Company Information**

The Company will apply for the Ordinary Shares to be admitted to trading on NEX and has entered into appropriate arrangements with a RIS. In addition, the Company is required under NEX Exchange Rule 75 to maintain a website which will comply with the requirements to provide information concerning the Company.

## **19. Foreign Securities Regulations**

Potential investors should note that the Ordinary Shares have not been and will not be registered under the US Securities Act or the applicable securities laws and regulations of any state of the United States and may not be offered or sold within the United States, Canada, Australia, Japan and South Africa except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. An investor who is in the US or otherwise a US person (as defined in Regulation "S" under the US Securities Act), must confirm that he falls within a relevant exemption and that he will not offer or sell Ordinary Shares within the United States except in accordance with applicable exemptions.

## **20. Proceeds of Crime Act 2002**

Under the POCA 2002, an individual commits a potential offence if they (a) conceal, convert or transfer criminal property, (b) enter into or become involved in an arrangement to launder and/or (c) use, acquire or possess criminal property, in the UK. However, under the SOCPA 2005, an activity outside the UK that would usually be criminal under UK Legislation no longer constitutes an offence, subject to such activity being a lawful activity in the jurisdiction in which it took place.

Given that the Company will ensure its activities are lawful in the jurisdiction in which they take place, the Directors believe that the potential receipt of dividends from companies in which the Company may have invested in are conducting the lawful production of and research into Medicinal Cannabis shall not amount to an offence under the POCA 2002 in the UK in the opinion of the Directors.

## **21. Further Information and Risk Factors**

**You should read the whole of this Document which provides additional information on the Company and not rely on summaries or individual parts only. Your attention is drawn to the further information in this Document and particularly to the risk factors set out in Part II of this Document. Potential investors should carefully consider the risks described in Part II before making a decision to invest or acquire shares in the Company.**

## PART II

### RISK FACTORS

**In addition to all other information set out in this Document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities prior to making any investment.**

**If any of the following risks were to materialise, the Company's business, financial conditions, results or future operations could be materially adversely affected. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost.**

**The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.**

#### **RISKS RELATING TO THE COMPANY'S BUSINESS**

The Group commenced trading only recently and has a two year operating history upon which to evaluate its likely performance. The Company's ability to achieve its intentions (as set out in this Document) will be limited by its ability to identify and realise suitable relationships within the relevant jurisdictions within which it hopes to operate. Regulatory impediments may arise and the Company's initial and future growth may be delayed. *Inter alia*:

- the Company operates in a sector where its products are restricted or forbidden in some countries but allowed in others. The Company holds the necessary regulatory approvals for its current activities. If these approvals are removed or amended through government action, the Group's ability to trade will be affected;
- inadvertent regulatory changes and/or the interpretation thereof and/or conflicting regulation may result in the Group being exposed to legal action and/or penalties;
- the willingness of providers of banking and/or clearing and settlement facilities may be affected by changes in regulation or public perception of the Company's activities;
- the timing of relaxation of regulations may affect the Group's ability to expand as anticipated;
- the market in the Group's products may not grow as expected by commentators in the press;
- certain promoted medicinal effects of CBD or other cannabinoids are not necessarily proven, which may affect the product mix produced by the Group and thereby its financial performance;
- finished goods stock held by MAM is not currently insurable. A major loss of product (for example through fire or theft) might have an adverse effect on the Group's performance.

All of these may in turn have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

#### ***Further issues of Ordinary Shares***

It is possible that the Company will raise additional capital by way of further issues of Ordinary Shares to enable the Company to progress through further stages of development. Any additional equity financing may be dilutive to Shareholders. There can be no assurance that such funding, if required, will be available to the Company.

#### ***Tax risks***

The Group is active in a number of tax jurisdictions and intends to expand further into other jurisdictions. The taxation policies of these jurisdictions (including corporation tax rates, withholding taxes, personal and social taxes and direct taxation of products) may change over time and impact the performance of the Group.

### ***The Company's income may be reduced by exchange controls***

In the event that exchange controls are imposed with respect to any of the Group's in-country activities, the effect will generally be to reduce the income received by the Company on such activities.

### ***Currency and foreign exchange risks***

The principal currency within which the Group transacts is the Euro. The Company's business will therefore be carried out in currencies other than Sterling. To the extent that there are fluctuations in exchange rates, this may have an impact on the figures consolidated in the Company's accounts, which could have a material impact on the Group's financial position or result of operations, as shown in the Group's accounts going forward.

The Group does not currently undertake foreign currency hedging transactions to mitigate potential foreign currency exposure but may do so in future. The Board cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on the business, operating results or financial condition of the Company.

### ***Sanctions***

The Company and Shareholders may also be subject to sanctions imposed by the European Union or by the United Kingdom of Great Britain and Northern Ireland. Failure by the Company to abide by these sanctions could give rise to the imposition of civil or criminal penalties on both the Company and holders of the Ordinary Shares, and may adversely impact the Company's financial condition, results of operations or share price.

### ***Risks relating to legal systems***

The Company's potential future operations in certain jurisdictions will be subject to the laws and regulations promulgated there. Laws and regulations may be supplemented or otherwise modified by undocumented practices, policies adopted and applied as law in a non-transparent way, the exercise of powers which have not been granted to the exercisor in accordance with the provisions of prevailing laws and regulations and regulations and laws which conflict with other regulations and laws. Such practices, policies, exercises of powers and conflicts of legislation may not have been ruled upon by the courts or enacted by legislative bodies and they may be subject to change without notice.

## **COMPANY SPECIFIC RISKS**

### ***Short operating history***

The Company has a short operating history upon which prospective investors may base an evaluation of the likely performance of the Company.

### ***Attraction and Retention of Key Personnel, including Directors***

The Company has a small management team and the Company's activities require a number of suitably qualified staff in a number of areas. The loss of a key individual or inability to attract suitably qualified staff could materially and adversely impact upon the business and financial condition of the Company. The success of the Company depends on the ability of the Directors and staff to manage its business effectively, deliver complex projects to time and specification and to interpret and respond appropriately to technological, economic, market, regulatory and other conditions.

No assurance can be given that individuals with the required skills will continue their association or employment with the Company or that replacement personnel with comparable skills can be found. The Board has sought to, and will continue to, ensure that the Directors and any key employees are appropriately incentivised. However, their services cannot be guaranteed.

### ***Expansion risk***

The Company intends to pursue an aggressive growth strategy, subject to the availability of funding. Such a strategy brings with it certain risks and will place additional demand on the Company's management, financial and operational resources. If the Company is unable to manage its growth effectively, its business, operations or financial condition may deteriorate.

**Competition in the markets in which the Company intends to operate is expected to increase in the future**

Existing and potential competitors may have significantly greater financial, research and development, sales and marketing, personnel and other resources than the Company, which may adversely affect its competitive position.

**Brexit**

The UK is seeking to withdraw from the European Union on or before 31<sup>st</sup> October 2019. This may have an effect on the ability of residents in other countries to access or trade in the Company's shares, and the taxation effects of so doing. It may also give rise to new withholding taxes between the UK and the jurisdictions where the Group operates.

**Joint ventures**

The Company may enter into joint ventures. There is a risk that a joint venture partner does not meet its obligations and the Company or a business in which it has invested may therefore suffer additional costs or other losses. It is also possible that the interests of the Company or a business in which it invests and those of its joint venture partners are not aligned resulting in project delays or additional costs and losses. The Company may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies.

**RISKS RELATING TO THE ORDINARY SHARES AND TRADING ON THE NEX EXCHANGE GROWTH MARKET INVESTMENT IN UNLISTED SECURITIES**

Investment in shares traded on the NEX Exchange Growth Market is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List or AIM. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

**Suitability**

An investment in the Ordinary Shares may not be suitable for all recipients of this Document. Investors are accordingly advised to consult an appropriate person authorised under FSMA, or its equivalent in another jurisdiction, before making their decision.

**Share price volatility and liquidity**

The share price of quoted emerging companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

**Market risks**

Notwithstanding the fact that an application has been made for the Ordinary Shares to be traded on the NEX Exchange Growth Market, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. Continued admission to the NEX Exchange Growth Market is entirely at the discretion of NEX Exchange.

Any changes to the regulatory environment, in particular the NEX Exchange Rules could, for example, affect the ability of the Company to maintain a trading facility on the NEX Exchange Growth Market.

**RISKS RELATING TO THE NATURE OF NEX EXCHANGE GROWTH MARKET**

Investment in shares traded on NEX carries a higher degree of risk than an investment in shares listed on the Official List and can provide less liquidity than investments in companies whose shares are listed on the

Official List. Prospective investors should be aware that the value of the Offer Shares could go down as well as up and investors may therefore not recover their original investment, especially as the market in the Ordinary Shares may have limited liquidity. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall and/or trade at a discount and therefore is no guarantee that the market price will reflect the underlying net asset value of the Ordinary Shares. NEX has the right to suspend trading in a company's securities. A suspension could result in Shareholders realising less on a disposal than their initial investment.

No application has been or will be made for the Ordinary Shares to be admitted to the Official List or to be listed on any other exchange.

**The investment opportunity offered in this Document may not be suitable for all recipients of this Document. Investors are therefore strongly recommended to consult a professional adviser authorised under FSMA, who specialises in investments of this nature, before making their decision to invest.**



**PART III**  
**FINANCIAL INFORMATION ON THE FREYHERR GROUP**

**SECTION A**

**FREYHERR INTERNATIONAL GROUP PLC**

**Annual Report and Financial Statements**

*as at 31<sup>st</sup> December 2018*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

as at 31<sup>st</sup> December 2018

**Company Information:**

<b>Directors</b>	T Frelih L Freyer E Tavčar Benković B Eržen A M Burke	(Appointed 30 <sup>th</sup> January 2019) (Appointed 30 <sup>th</sup> January 2019) (Appointed 20 <sup>th</sup> February 2019) (Appointed 10 <sup>th</sup> April 2019) (Appointed 10 <sup>th</sup> April 2019)
<b>Secretary</b>	D K Papworth	
<b>Company number</b>	11160911	
<b>Registered office</b>	No. 1 London Bridge London SE1 9BG	
<b>Auditor</b>	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
<b>Lawyers</b>	Howard Kennedy LLP No. 1 London Bridge London SE1 9BG	

## **Directors Report**

For the period ended 31<sup>st</sup> December 2018

The directors present their annual report and financial statements for the period from incorporation on 22<sup>nd</sup> January 2018 to 31<sup>st</sup> December 2018.

## **Principal activities**

The company was dormant during the period.

## **Directors**

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

D K Papworth	(Appointed 22 <sup>nd</sup> January 2018 and resigned 20 <sup>th</sup> February 2019)
T Freljh	(Appointed 30 <sup>th</sup> January 2019)
L Freyer	(Appointed 30 <sup>th</sup> January 2019)
E Tavčar Benković	(Appointed 20 <sup>th</sup> February 2019)
B Eržen	(Appointed 10 <sup>th</sup> April 2019)
A M Burke	(Appointed 10 <sup>th</sup> April 2019)

## **Auditor**

Kingston Smith LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

## **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

T Freljh  
*Director*

## **Directors Responsibilities Statement**

For the period ended 31<sup>st</sup> December 2018

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 that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

## **Independent Auditor's Report**

### **To the members of Freyherr International Group plc**

#### **Opinion**

We have audited the financial statements of Freyherr International Group plc (the 'company') for the period ended 31<sup>st</sup> December 2018 which comprise the Profit And Loss Account, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31<sup>st</sup> December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been 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 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 ethical requirements that are relevant to our audit of the 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

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.

In connection with our audit of the financial statements, 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 our audit:

- the information given in the Directors' Report for the financial period 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.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters where 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; or
- 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 take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 the directors either intend to liquidate the company or to cease operations, or have 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.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement 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 internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

### **Use of our report**

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 for no purpose other than to draw to the attention of the company's members those matters we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our work, for this report, or for the opinions we have formed.

**Jonathan Sutcliffe** (*Senior Statutory Auditor*)  
**for and on behalf of Kingston Smith LLP**

**Chartered Accountants**  
**Statutory Auditor**

Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

## Balance Sheet

As at 31<sup>st</sup> December 2018

	<i>Notes</i>	£
Debtors	2	<u>0.01</u>

### Net current assets

### Net assets

Called up share capital	3	<u>0.01</u>
-------------------------	---	-------------

### Total equity

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and are signed on its behalf by:

### T Frelih

*Director*

Company Registration No. 11160911

## Notes to the Financial Statements

For the Period ended 31<sup>st</sup> December 2018

### 1. Accounting policies

#### **Company information**

Freyherr International Group plc is a public company limited by shares incorporated in England and Wales. The registered office is No. 1 London Bridge, London, United Kingdom, SE1 9BG.

#### 1.1 **Accounting convention**

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS.

The financial statements are prepared in sterling, which is the functional currency of the company.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### 1.2 **Going concern**

The directors expect there will be a cash requirement of around £250,000 to cover obligations and liabilities as they fall due over the twelve months period from the approval of the accounts. During this period, directors are confident that the cash flows of the subsidiary undertakings will be sufficient to meet these obligations as they fall due. If required, directors are also confident in the ability to raise external institutional investment to support the company.

As such, the directors have reasonable expectation that the company has sufficient resources to meet its liabilities as they fall due for at least one year from the date of approval of the accounts and accordingly continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 **Reporting period**

The reporting period is for a period of less than one year to align the company's year end to other group companies at the end of its first period of account.

### 1.4 **Financial instruments**

Basic financial instruments are measured at cost. The company has no other financial instruments or basic financial instruments measured at fair value.

### 1.5 **Equity instruments**

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

## 2. **Debtors**

	2018
	£
<b>Amounts falling due within one year:</b>	
Unpaid share capital	0.01

## 3. **Called up share capital**

	2018
	£
<b>Ordinary share capital</b>	
<b>Issued</b>	
1 Ordinary share of £0.01 each	0.01

On incorporation 1 ordinary share of £0.01 was issued at par.

## 4. **Events after the reporting date**

### **Acquisition of Freyherr d.o.o.**

On 20<sup>th</sup> February 2019, the company acquired 100 per cent. of the issued share capital of Freyherr d.o.o., a company incorporated and registered in Slovenia. This occurred through a share for share exchange whereby the company issued 24,999,989 new ordinary shares of £0.01 each for £0.03 per share in exchange for a 99 per cent. holding in Freyherr d.o.o., and purchased the remaining 1 per cent. subsequently for consideration of £870.

### **Acquisition of minority interest of Freyherr Pharma d.o.o. (formerly INAM d.o.o., name change effective 7<sup>th</sup> May 2019)**

On 9<sup>th</sup> April 2019, Freyherr d.o.o., a wholly owned subsidiary of the company, entered into a share purchase agreement with Olium d.o.o., a company incorporated and registered in Slovenia, to purchase a 30 per cent. minority interest of Freyherr Pharma d.o.o., a company incorporated and registered in Slovenia. The consideration is payable on admission of the Ordinary shares of Freyherr International Group plc to trading on the NEX Exchange Growth Market and shall be satisfied by:

- (i) the issue of such number of new Ordinary shares which shall equal the sum of €500,000 divided by the price per Ordinary share as at admission;
- (ii) the grant of share options in respect of 236,743 Ordinary shares at an exercise price per share equal to €1.584, subject to certain vesting terms, and;
- (iii) the grant of share options in respect of such number of Ordinary shares as shall be equal to the sum of €375,000 divided by the price per Ordinary share as at admission, subject to certain vesting terms. The share options are also subject to certain terms regarding the continuous service of key personnel of Olium d.o.o.

**Loan conversion**

On 10<sup>th</sup> April 2019, Freyherr d.o.o., a wholly owned subsidiary of the company, converted a loan of €400,000 owed to Gedala Limited, a company incorporated and registered in Cyprus, by issue of 252,525 new fully paid ordinary shares of £0.01 each in the capital of Freyherr International Group plc to Gedala Limited.

All shares issued in respect of all of the above post balance sheet events rank *pari passu* with existing ordinary shares.

**Re-registration as a public limited company**

On 26<sup>th</sup> April 2019, the company re-registered from a private limited to a public limited company. In this process the name of the company changed from Freyherr International Group Limited to Freyherr International Group plc.



**PART III**  
**FINANCIAL INFORMATION ON THE FREYHERR GROUP**

**SECTION B**

**FREYHERR D.O.O. (incorporated in Slovenia) and subsidiary company**

**Annual Report and Financial Statements**  
*as of 31<sup>st</sup> December 2018*



**Grant Thornton Audit d.o.o.**  
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Slovenia  
T: +386 1 43 41 800  
E: officc:@si.gt.com

**AUDITOR'S REPORT**  
**for the owners of Freyherr d.o.o.**

**Opinion**

We have audited the consolidated financial statements of the company Freyherr d.o.o. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as of 31 December 2018, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in Equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give true and fair view of the financial position of the Group as at 31 December 2018 and of its financial performance for the year then ended in accordance with International financial reporting standards (IFRS).

**Basis for Opinion**

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibility under those standards is further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled all other ethical requirements in accordance with the IESBA Code.

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

**Other Information**

The management is responsible for other information. The latter consists of the management report, which is a part of the annual report of the Group and does not include consolidated financial statements and our auditor's report thereon.

Our report on consolidated financial statements does not refer to other information and does not give any assurances relating thereto.

When conducting an audit of consolidated financial statements, our responsibility is also to read other information and assess whether it varies to a great extent from consolidated financial statements, legal requirements and our knowledge acquired during the audit or proves incorrect otherwise. If, in accordance

with the work carried out, we discover material misstatements of other information, we must report on such circumstances. On the basis of the procedures described, we report that:

- other information is consistent with the audited consolidated financial statements in all important aspects;
- other information is prepared in accordance with applicable laws and regulations;
- based on our knowledge and understanding of the Group and its environment acquired during the audit, we did not determine any significant incorrect statements regarding other information.

### **Responsibility of Management for the consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International financial reporting standards (IFRS), and for such internal control the management deems necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the rules on auditing will always identify a material misstatement if 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

identify and assess the risks of material misstatement of the consolidated 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 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 Groups'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern; and

evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management 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.

**Other Matters**

Comparable consolidated financial statements were not audited.

Ljubljana, 5 April 2019

Tomaz Mahnic

Grant Thornton Audit d.o.o.

**CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	<i>2018 EUR</i>	<i>2017 EUR</i>
<b>Revenue</b>	4	1.168.481	172.958
Cost of sales		<u>664.912</u>	<u>119.981</u>
<b>Gross profit</b>		503.569	52.977
Distribution costs		7.152	0
Administrative expenses		440.560	24.691
Other operating income		<u>1.081</u>	<u>0</u>
<b>Operating profit</b>	4,5	56.938	28.286
Finance income		4.349	345
Finance costs	10	<u>12.649</u>	<u>2</u>
		(8.300)	343
Share of profits/(losses) of associates		<u>0</u>	<u>0</u>
<b>Profit before taxation</b>		48.638	28.629
Taxation	11	<u>5.769</u>	<u>5.438</u>
<b>Retained profit for the year</b>		42.869	23.191
<b>Attributable to:</b>			
Owners of the parent company		37.654	23.191
Non-controlling interest		<u>5.215</u>	<u>0</u>
<b>Earnings per share</b>			
Basic earnings per share – continuing and total operations	12	<u>0</u>	<u>0</u>
Diluted earnings per share – continuing and total operations	12	<u>0</u>	<u>0</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	<i>2018 EUR</i>	<i>2017 EUR</i>
<b>Profit for the year</b>		42.869	23.191
<b>Other comprehensive income:</b>		<u>0</u>	<u>0</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>0</u>	<u>0</u>
<b>Total comprehensive income for the year</b>		<u>42.869</u>	<u>23.191</u>
<b>Attributable to:</b>			
Owners of the parent company		37.654	23.191
Non-controlling interest		5.215	0

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		31 December 2018 EUR	31 December 2017 EUR
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	85.110	0
Intangible fixed assets	13	158.436	0
Financial assets at fair value through OCI	16	265.990	200.000
		<u>509.536</u>	<u>200.000</u>
<b>Current assets</b>			
Inventories	15	131.679	59.098
Trade and other receivables	16	630.859	69.759
Other financial assets at fair value through profit or loss	16	650.261	500
Cash and cash equivalents		13.319	2.015
		<u>1.426.118</u>	<u>131.372</u>
		1.935.654	331.372
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the company</b>			
Ordinary share capital	18	7.500	7.500
Share premium	19	1.000.000	0
Translation reserve		0.750	0.750
Revaluation reserve		0	0
Retained earnings	20	58.810	22.432
		<u>1.067.060</u>	<u>30.682</u>
Non-controlling interest		(54.088)	0
		<u>1.012.972</u>	<u>30.682</u>
<b>Total equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	23	168.825	182.910
Borrowings	24	670.914	94.750
Current tax liabilities	11	82.943	23.030
		<u>922.682</u>	<u>300.690</u>
		1.935.654	331.372
<b>TOTAL EQUITY AND LIABILITIES</b>			

The financial statements were approved by the board of directors and authorised for issue on March 31st, 2019.

Tomaž Frelj, Director

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Notes</i>	<i>2018 EUR</i>	<i>2017 EUR</i>
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		48.638	28.629
Adjustments for:			
Finance income		(4.349)	(346)
Finance costs		12.649	2
Profit on disposal of fixed assets		20	0
Depreciation of property, plant and equipment		8.822	0
Decrease/increase in inventories		(72.581)	(59.098)
Decrease/increase in trade and other receivables		(625.919)	(69.759)
Decrease/increase in trade and other payables		45.827	206.193
		<hr/>	<hr/>
<b>Cash generated from operations</b>		(586.893)	105.621
Interest paid			
Tax (received)/paid		(5.438)	0
		<hr/>	<hr/>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>		(592.331)	105.621
<b>Cash flows from investing activities</b>			
Acquisition of subsidiary, net of cash acquired	14	(19.250)	(200.000)
Purchase of property, plant and equipment		(59.655)	0
Purchase of financial assets/loans		(650.261)	0
		<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(1.321.497)	(94.379)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity shares		1.000.000	0
Proceeds from borrowings		429.401	96.304
Repayment of borrowings		(96.600)	0
		<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		11.304	1.925
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		11.304	1.925
Cash and cash equivalents at beginning of year		2.015	90
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<u>13.319</u>	<u>2.015</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	<i>Ordinary share capital EUR</i>	<i>Share premium EUR</i>	<i>Share payment reserve EUR</i>	<i>Retained earnings EUR</i>	<i>Total EUR</i>	<i>Non- controlling interests EUR</i>	<i>Total equity EUR</i>
<b>Balance at 1 January 2017</b>	7.500	0	0	(9)	7.491	0	7.491
Profit/(loss) for year	0	0	750	22.441	23.191	0	23.191
<b>Balance as at 31 December 2017</b>	7.500	0	750	22.432	30.682	0	30.682
Profit/(loss) for year	0	0	0	37.654	37.654	5.215	42.869
<b>Transactions with owners:</b>	0	1.000.000	0	(1.275)	998.725	(59.304)	939.421
Issue of share capital	0	1.000.000	0	(1.275)	998.725	(59.304)	939.421
<b>Balance as at 31 December 2018</b>	<u>7.500</u>	<u>1.000.000</u>	<u>750</u>	<u>58.811</u>	<u>1.067.061</u>	<u>(54.089)</u>	<u>1.012.972</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2018**

**1. GENERAL INFORMATION**

These financial statements are presented in euros because that is the functional currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with policies set out in note 2 below.

**2. ACCOUNTING POLICIES**

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

**Basis of preparation**

The consolidated financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and certain financial instruments.

**First time adoption of IFRS**

The financial statements have been prepared in accordance with IFRS as adopted by the European Union for the first time for the year ended 31 December 2018. Details of the effects of the adoption of IFRS are given in note 2 to these financial statements.

The results, assets and liabilities of the Group for the year ended 31 December 2017 together with the opening position of the Group at 1 January 2017, the date of transition to IFRS, have been restated in accordance with IFRS and details of the restatements are given in note 16 to the financial statements.

IFRS 1 'First time adoption of IFRS' permits companies to take advantage of certain exemptions from full retrospective adoption. The group has taken advantage of the following exemptions in preparing its financial statements:

- The group has taken advantage of the exemption from full retrospective adoption of IFRS 3 'Business Combinations' and has therefore not retrospectively applied IFRS 3 to business combinations which took place before the date of transition to IFRS, 1 January 2017.
- The group has taken advantage of the exemption from full retrospective restatement of cumulative foreign exchange differences arising on the retranslation of its overseas subsidiaries. Such exchange differences have been recognised with effect from the date of transition.
- The group has recognised certain of its properties at 'deemed cost' being the valuation of the properties as at the date of transition. Such properties are now carried at 'deemed cost' less depreciation from the date of transition.

### ***New and Revised Standards***

#### ***Standards in effect in 2018 adopted by the Group***

The following standards, interpretations, and amendments to standards have been adopted in the financial statements.

- IFRS 9 "Financial Instruments" – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective date of IFRS 15" – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2 "Share-based Payment" – Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- Amendments to IFRS 15 "Revenue from Contracts with Customers" – Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IAS 40 "Investment Property" – Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in Freyherr d.o.o.'s financial statements.

#### ***Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective***

At the date of authorisation of these financial statements, the following new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- IFRS 16 "Leases" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- IFRIC 23 "Uncertainty over Income Tax Treatments" – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).



Freyherr International Group plc has elected not to adopt new standard, amendments to existing standard and interpretation in advance of their effective dates. Freyherr International Group plc anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of Freyherr International Group plc in the period of initial application.

### ***New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 05 April 2019 (the effective dates stated below is for IFRS as issued by IASB):

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 3 “Business Combinations” – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- Amendments to IAS 19 “Employee Benefits” – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures” – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards due to “Improvements to IFRSs (cycle 2015-2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

Freyherr d.o.o. anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of Freyherr d.o.o. in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to Freyherr d.o.o.’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement” would not significantly impact the financial statements, if applied as at the balance sheet date.

### **Consolidation**

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies of the subsidiary and therefore exercises control. The existence and effect of both current voting rights and potential voting rights that are currently exercisable or convertible are considered when assessing whether control of an entity is exercised. Subsidiaries are consolidated from the date at which the Group obtains the relevant level of control and are de-consolidated from the date at which control ceases.

The acquisition method is used for all business combinations. On acquisition, the cost is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (Revised), "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the difference is recognised directly in profit or loss. Any subsequent adjustment to reflect changes in consideration arising from contingent consideration amendments are recognised in profit or loss.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## **Goodwill**

Goodwill relating to acquisitions occurring prior to the date of transition to IFRS is carried at the net book value at that date as permitted by IFRS 1. Goodwill arising on acquisitions subsequent to the date of transition is stated at cost. In both cases, goodwill is not amortised, but is subject to an annual test for impairment. Impairment testing is performed by the directors as set out below. Where an impairment is identified, it is charged to the income statement in that period.

## **Revenue recognition**

Revenue from the sale of goods is recognised at the point in time when the relevant performance obligation is satisfied. The performance obligation is considered to be satisfied when goods have been transferred to the customer and the customer has obtained control of that asset. Specifically, revenue from the sale of goods is recognised when goods are delivered and legal title is passed.

Revenue is measured at the transaction price, being the fair value of the consideration received or receivable. The transaction price is reduced for estimated customer returns, rebates and other similar allowances. Payment is typically due within 30 days of delivery. Contracts with customers do not contain a financing component or any element of variable consideration.

Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

### **Taxation**

The tax expense for the year represents the total of current taxation and deferred taxation. The charge in respect of current taxation is based on the estimated taxable profit for the year. Taxable profit for the year is based on the profit as shown in the income statement, as adjusted for items of income or expenditure which are not deductible or chargeable for tax purposes. The current tax liability for the year is calculated using tax rates which have either been enacted or substantively enacted at the balance sheet date.

### **Foreign currency translation**

Items included in the financial statements of each group company are measured using their functional currency, being the currency of the primary economic environment in which each company operates. The consolidated financial statements are presented in euros, which is the company's functional and presentational currency.

Foreign currency transactions are translated using the rate of exchange applicable at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at the year-end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The results and financial position of group companies whose functional currency is not euro are translated as follows:

- Assets and liabilities at each balance sheet date presented are translated using the closing exchange rate at that balance sheet date;
- Income and expenses for each income statement are translated using average exchange rates which reasonably approximate the effect of the rates prevailing on the transaction dates.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

IT equipment and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management. Buildings and IT equipment also include leasehold property held under a finance lease (see Note 4.14). Buildings, IT equipment and other equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT equipment and other equipment. The following useful lives are applied:

- Computer equipment: 2-5 years
- Other equipment: 4-10 years

In the case of leased assets, expected useful lives are determined by reference to comparable owned assets or the term of the lease, if shorter. Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

## **Intangible assets**

Acquired intangible assets are shown at historical cost. Acquired intangible assets have a finite useful life and are carried at cost, less accumulated amortisation over the finite useful life and impairment losses. Amortisation is calculated on a straight line basis to allocate the cost of acquired intangible assets over their estimates useful lives of 5-20 years.

- software: 3-5 years

## **Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to for a description of impairment testing procedures.

## **Financial instruments**

The group classifies its financial assets as either financial assets measured at amortised cost, fair value through profit and loss, or fair value through OCI.

All financial assets and liabilities are measured at fair value on initial recognition. Transaction costs that are directly attributable to acquisition or issue of the instrument (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value of the instrument on initial recognition.

All recognised financial assets are required to be measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the assets.

## **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

## **Trade and other receivables**

Trade and other receivables are stated at their original invoiced value, less any appropriate allowance for estimated irrecoverable amounts.

## **Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and other short term highly liquid deposits with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected

credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### *Previous financial asset impairment under IAS 39*

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

### **Share capital**

Ordinary shares of the company are classified as equity.

### **Trade payables**

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. As the payment period of trade payables is short future cash payments are not discounted as the effect is not material.

### **Borrowings**

Interest-bearing borrowings are recognised initially at fair value, net of any transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method with any difference between the proceeds (net of transaction costs) and the redemption value being recognised over the period of the borrowings.

Borrowing costs incurred which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Preference shares which are mandatorily redeemable on a specific date are classified as long term liabilities and shown as such in the balance sheet. Dividends on these shares are recognised in the income statement as part of finance costs.

The fair value of the liability portion of convertible loan stock is determined using a market interest rate for a comparable loan stock with no conversion option. This amount is recorded as a liability on an amortised cost basis until the loan stock is redeemed or converted. The remainder of the carrying amount of the loan stock is allocated to the conversion option and shown within equity.

All borrowings are classified as current unless the group has an unconditional right to defer payment of the borrowings until at least twelve months from the balance sheet date.

## **Provisions**

Provisions are recognised in the balance sheet where there is a legal or constructive obligation to transfer economic benefits as a result of a past event. Provisions are discounted using a rate which reflects the effect of the time value of money and the risks specific to the obligation, where the effect of discounting is material.

## **Leases**

On inception of a lease of an item of property, plant and equipment, the terms and conditions of the lease are reviewed to determine the appropriate classification for the lease. Where the Group bears substantially all the risks and rewards of ownership of the item, the lease is classified as a finance lease and the item is capitalised within the appropriate class of property, plant and equipment at the lower of the fair value of the leased item and the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to obtain a constant rate on the finance balance outstanding. The outstanding capital element of the lease payments are included within current and long-term payables as appropriate; the interest element of the lease payments is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the term of the lease.

Rental income received under operating leases is credited to the income statement on a straight line basis over the lease term.

## **Pensions**

The group operates a defined contribution pension scheme under which fixed contributions are payable. Pension costs charged to the income statement represent amounts payable to the scheme during the year.

### **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial information in accordance with generally accepted accounting practice, in the case of the Group being International Financial Reporting Standards as adopted by the European Union, requires the directors to make estimates and judgements that affect the reported amount of assets, liabilities, income and expenditure and the disclosures made in the financial statements. Such estimates and judgements must be continually evaluated based on historical experience and other factors, including expectations of future events.

### **4. REVENUE**

Revenue arises mainly from the sale of products, which are the result of a safe approach to the production of high-quality cannabis extracts.

To determine whether to recognize revenue, the Group follows a 5-step process:

- 1 Identifying the contract/order with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognizing revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Breakdown of revenue is as follows:

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
<b>Group</b>		
Sale of goods	1.168.481	172.958
<b>Total revenue for period</b>	<u>1.168.481</u>	<u>172.958</u>

## 5. SEGMENTAL REPORTING

There is no separate segments within the Group. Management currently identifies the Group's one segment as its operating segments. No segment reporting identified and needed separately.

### Geographical information

The Group's revenue disaggregated by primary geographical markets is as follows:

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
<b>Revenue</b>		
Slovenia	101.139	0
Other EU countries	904.454	69.655
Rest of world	162.888	103.303
	<u>1.168.481</u>	<u>172.958</u>

## 6. OPERATING PROFIT

Group operating profit for the year is stated after charging/(crediting) the following:

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Depreciation of owned property, plant and equipment	8.706	0
Operating lease rentals – land and buildings	36.841	0
Rental income	(3.808)	0
	<u>41.739</u>	<u>0</u>

## 7. AUDITOR'S REMUNERATION

Group operating profit for the year is stated after charging/(crediting) the following:

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Remuneration receivable by the Company's auditor for the audit of the consolidated and Company financial statements	7.000	0
Remuneration receivable by the Company's auditor and its associates for the supply of other services to the Company and its associates, including remuneration for the audit of the financial statements of the Company's subsidiaries:		
● The audit of the Company's subsidiaries	10.000	0
● Corporate finance services	0	1.000
	<u>17.000</u>	<u>1.000</u>

## 8. EMPLOYEES

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Staff costs comprised:		
Wages and salaries	130.071	7.798
Social security costs	11.159	565
Other pension costs	22.476	2.192
	<u>163.706</u>	<u>10.555</u>
Manufacturing	28.055	0
Sales	75.811	0
Office and administration	59.840	10.555
	<u>163.706</u>	<u>10.555</u>

## 9. DIRECTORS' EMOLUMENTS

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Emoluments, including benefits in kind	51.542	9.450
Compensation for loss of office	0	0
Pension costs	8.298	1.105
	<u>59.840</u>	<u>10.555</u>

## 10. FINANCE COSTS

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Loans and overdrafts	12.649	2
	<u>12.649</u>	<u>2</u>



## 11. TAXATION

	2018 EUR	2017 EUR
<b>Group</b>		
Current tax charge	5.769	5.438
Deferred tax	0	0
<b>Total tax charge/(credit) for period</b>	<u>5.769</u>	<u>5.438</u>
Profit before taxation	<u>48.638</u>	<u>28.629</u>
Tax calculated at the applicable rate based on profit for the year		
Expenses not deductible for taxation	2.272	2
Utilisation of tax losses	1.200	0
	<u>5.769</u>	<u>5.438</u>

## 12. PROPERTY PLANT AND EQUIPMENT

	<i>Plant and machinery EUR</i>	<i>Motor vehicles EUR</i>	<i>Total EUR</i>
<b>Cost/valuation</b>			
At 1 January 2017	<u>0</u>	<u>0</u>	<u>0</u>
At 31 December 2017			
Additions	34.206	24.522	58.728
Acquisition of subsidiary Freyherr Pharma, d.o.o.	45.286	0	45.286
<b>At 31 December 2018</b>	79.492	24.522	104.014
<b>Depreciation</b>			
At 1 January 2017	0	0	0
Charge for the year	0	0	0
At 31 December 2017	0	0	0
Charge for the year	4.619	4.087	8.706
Acquisition of subsidiary Freyherr Pharma, d.o.o.	10.198	0	10.198
<b>At 31 December 2018</b>	14.817	4.087	18.904
<b>Net book value as at 31 December 2018</b>	<u>64.675</u>	<u>20.435</u>	<u>85.110</u>
Net book value as at 31 December 2017	<u>0</u>	<u>0</u>	<u>0</u>

### 13. INTANGIBLE ASSETS

	<i>Goodwill EUR</i>	<i>Trademarks &amp; licences EUR</i>	<i>Total EUR</i>
<b>Cost</b>			
At 1 January 2017	0	0	0
<b>At 31 December 2017</b>	0	0	0
Additions	157.625	927	158.552
<b>At 31 December 2018</b>	157.625	927	158.552
<b>Amortisation and impairment</b>			
At 1 January 2017	0	0	0
At 31 December 2017	0	0	0
Amortisation charge for year	0	116	116
<b>At 31 December 2018</b>	0	116	116
<b>Net book value as at 31 December 2018</b>	157.625	811	158.436
Net book value as at 31 December 2017	0	0	0
Net book value as at 1 January 2017	0	0	0

For the purpose of annual impairment testing, goodwill is allocated to the operating segments expected to benefit from the synergies of the business combinations in which the goodwill arises, and is compared to its recoverable value. No impairment recognized as at 31.12.2018. The Company is profitable.

### 14. ACQUISITION OF SUBSIDIARIES

In September 2018, the Group acquired 70 per cent. of the equity instruments of INAM d.o.o., Koper (Slovenia) based business, thereby obtaining control. The date that Freyherr Pharma d.o.o. has become part of Freyherr International Group plc (Freyherr obtained control) was 1 October 2018. The profit and loss for the year 2018 of Freyherr Pharma d.o.o. is consolidated for the last three months of the year 2018 (from the period of 1.10.2018 till 31.12.2018).

The fair value of the assets acquired and liabilities assumed were as follows:

	<i>Book values EUR</i>	<i>Fair value adjustments EUR</i>	<i>Fair values EUR</i>
Cash and cash equivalents	606	0	606
Property, plant and equipment	35.088	0	35.088
Inventories	18.261	0	18.261
Trade and other receivables	100.961	0	100.961
Trade and other payables	(43.216)	0	(43.216)
Other	2.092	0	2.092
Borrowings	(311.470)	0	(311.470)
<b>Net assets</b>	<b>(197.678)</b>	<b>0</b>	<b>(197.678)</b>

The acquisition of Freyherr Pharma d.o.o. was settled in cash amounting to 19.250 EUR. Freyherr has become 70 per cent. owner of the Freyherr Pharma d.o.o.. The minority owner of 30 per cent. is Olium d.o.o.

Goodwill of 157.625 EUR is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Freyherr Pharma's workforce and expected cost synergies. Goodwill has been allocated to the production segment and is not expected to be deductible for tax purposes.

Freyherr Pharma d.o.o. incurred a loss of 16.620 EUR for the nine months from 1 January 2018 to the 30 September 2018. Revenue for the nine months of 2018 was 38.944 EUR.

	<i>EUR</i>
<b>Purchase consideration:</b>	
Cash paid 70%	19.250
Non-controlling share	(59.303)
	<u>(40.053)</u>
<b>Goodwill</b>	<u><u>157.625</u></u>

<i>Name of the subsidiary</i>	<i>Country of incorporation and principal place of business</i>	<i>Principal activity</i>	<i>Proportion of ownership interests held by the Group at year end</i>	
			<i>2018</i>	<i>2017</i>
Freyherr Pharma d.o.o.	Slovenia	Production	70%	0%

There were no other acquisitions during the year ended 31 December 2018.

## 15. INVENTORIES

	<i>2018</i>	<i>2017</i>
	<i>EUR</i>	<i>EUR</i>
Raw materials	59.481	0
Work in progress	69.481	0
Finished goods	2.718	59.098
	<u>131.680</u>	<u>59.098</u>

In 2018 Freyherr d.o.o. capitalized part of the development costs of the development of their own projects. As the projects are still in development phase in 2019 and has not been finished this production in progress is shown under the Production in progress in Inventory balance as at 31.12.2018. The amount of capitalized labour costs is EUR 69,481 (2017: 0).

There have been no indicators for impairment or write down of inventories.

## 16. TRADE AND OTHER RECEIVABLES

	<i>2018</i>	<i>2017</i>
	<i>EUR</i>	<i>EUR</i>
Trade receivables	331.072	46.477
Other debtors	84.366	23.281
Prepayments and accrued income	215.421	0
	<u>299.787</u>	<u>23.281</u>
	<u>630.859</u>	<u>69.758</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

All of the Group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment. There have been no impaired trade receivables as per 31.12.2018. All the trade receivables are not older than 180 days as per 31.12.2018.

Notes to the financial statements includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The above comparative for impairment provisions refers

to the IAS 39 measurement basis which applied an incurred loss model, whereas the current year applies IFRS 9 which is an expected loss model.

## **FINANCIAL ASSETS AND LIABILITIES**

The carrying amounts of financial assets and financial liabilities in each category are as follows:

<i>31 December 2018</i>	<i>Amortised cost EUR</i>	<i>Fair value EUR</i>	<i>Total EUR</i>
<b>Financial assets</b>			
Other long term financial assets	65.990	200.000	265.990
Other short term financial assets	0	650.261	650.261
Trade and other receivables	630.859	0	630.859
Cash and cash equivalents	13.319	0	13.319
<b>Total financial assets</b>	<u>710.168</u>	<u>850.261</u>	<u>1.560.429</u>

<i>31 December 2018</i>	<i>Other liabilities (amortised cost) EUR</i>	<i>Total EUR</i>
<b>Financial liabilities</b>		
Current borrowings	670.914	670.914
Trade and other payables	246.353	246.353
<b>Total financial assets</b>	<u>917.267</u>	<u>917.267</u>

<i>31 December 2017</i>	<i>Loans and receivables (amortised cost) EUR</i>	<i>Held for trading (Fair value) EUR</i>	<i>Total EUR</i>
<b>Financial assets</b>			
Other long term financial assets	0	200.000	200.000
Other short term financial assets	0	500	500
Trade and other receivables	69.759	0	69.759
Cash and cash equivalents	2.015	0	2.015
<b>Total financial assets</b>	<u>71.774</u>	<u>200.500</u>	<u>272.274</u>

<i>31 December 2017</i>	<i>Other liabilities (amortised cost) EUR</i>	<i>Total EUR</i>
<b>Financial liabilities</b>		
Trade and other payables	205.941	205.941
Current borrowings	94.750	94.750
	<u>300.691</u>	<u>300.691</u>

## 17. FAIR VALUE ESTIMATION

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis:

<i>31 December 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Investment in MAM d.o.o.			200.000	200.000
Other short term financial assets			650.261	650.261
Short term trade and other receivables			630.859	630.859
<b>Total assets</b>			1.481.120	1.481.120

  

<i>31 December 2017</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Financial assets				
Investment in MAM d.o.o.			200.000	200.000
Other short term financial assets			500	500
Short term trade and other receivables			69.758	69.758
<b>Total assets</b>			270.258	270.258

There were no transfers between Level 1 and Level 2 in 2018 or 2017.

## 18. SHARE CAPITAL

	<i>2018</i>	<i>2017</i>
	<i>EUR</i>	<i>EUR</i>
Issued, allotted, called up and fully paid at 31 December	<u>7.500</u>	<u>7.500</u>

## 19. SHARE PREMIUM

	<i>2018</i>	<i>2017</i>
	<i>EUR</i>	<i>EUR</i>
Balance at 1 January and 31 December 2017	0	0
Share premium fully paid in 2018	<u>1.000.000</u>	<u>0</u>
Balance at 31 December 2018	<u><u>1.000.000</u></u>	<u><u>0</u></u>

## 20. RETAINED EARNINGS

	<i>Retained earnings EUR</i>
Balance at 1 January 2017	(9)
Net profit/loss for the year	22.441
	<hr/>
Balance at 1 January 2018	22.432
Net profit/loss for the year	37.653
Credit to equity in respect of share based payments	(1.275)
	<hr/> <hr/>
Balance at 31 December 2018	58.810

## 21. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The directors regularly reviews and agrees policies for managing each of these risks which are summarised below.

### Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures. The Group has only short term borrowing. The majority of borrowings (EUR 350 thousand) are fixed interest rate loans, the other loans are from the natural persons which are in majority also the owners of the Group. The exposure to interest rate is considered immaterial so no interest rate sensitivity is performed.

### Foreign currency risks

Most of the Group's transactions are carried out in EUR. Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in US dollars (USD) and Pounds Sterling (GBP). The Group also performs business in Macedonia, which has a Macedonia money (MKD) as his currency, but the exchange rate is connected to EUR, so the management evaluates that there is no foreign currency risks in connection with MKD.

To mitigate the Group's exposure to foreign currency risk, non EUR cash flows are monitored. Generally, the Group's risk management procedures are short-term foreign currency cash flows (due within one or two months) treated as a trade payables.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into EUR at the closing rate:

### Short term exposure

	<i>USD</i>	<i>GBP</i>	<i>MKD</i>	<i>HRK</i>
31 December 2018				
Financial assets	30.295	0	0	0
Financial liabilities	(866)	(12.009)	(26.485)	(866)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total exposure</b>	<b>29.429</b>	<b>(12.009)</b>	<b>(26.485)</b>	<b>(866)</b>

The following table illustrates the sensitivity of profit and equity in regards to the Group's financial assets and financial liabilities and the foreign currency/EUR exchange rate 'all other things being equal'. It assumes a +/- 10 per cent. change of the EUR/foreign currency exchange rate for the year ended at 31 December 2018. This percentages have been determined based on the average market volatility in exchange rates in the previous twelve months.

If the EUR had strengthened against the each foreign currency by 10 per cent. then this would have had the following impact:

### Profit for the year

	<i>USD</i>	<i>GBP</i>	<i>MKD</i>	<i>HRK</i>	<i>Total</i>
31 December 2018	(2.337)	(1.220)	(39)	(11)	(3.607)

### Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

#### *Credit risk management*

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. In case of bad credit rating the advance payment from customer is required before delivering the goods.

The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of a large number of customers in various industries and geographical areas.

#### *Security*

Trade receivables consist of a large number of customers in various industries and geographical areas. The Group does not hold any security on the trade receivables balance.

In addition, the group does not hold collateral relating to other financial assets.

### Liquidity risk

Liquidity risk is that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments as well as forecast cash inflows and outflows due in day-to-day business. The Group has no long-term borrowings.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows that available borrowing facilities are expected to be sufficient over the lookout period.

The Group's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Group's existing cash resources and trade receivables (see Notes to the financial statements) significantly exceed the current cash outflow requirements. Cash flows from trade and other receivables are all contractually due within six months.

As at 31 December 2018, the Group has no long-term financial liabilities, so no liabilities over 1 year.

## 22. CAPITAL RISK MANAGEMENT

### *Risk management objectives and policies*

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Notes to the financial statements. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

### Foreign currency sensitivity analysis

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Overdrafts repayable on demand		
Loans due in:		
Less than one year	670.914	94.750
<b>Total group borrowings</b>	<u>670.914</u>	<u>94.750</u>

### 23. TRADE AND OTHER PAYABLES

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
Trade payables	115.393	110.823
Accruals and deferred income	5.415	0
	<u>120.808</u>	<u>110.823</u>

### 24. BORROWINGS

The Group Freyherr has current borrowings from other companies and natural persons. The interest rates are in the range from 0,75 per cent. to 5 per cent. The carrying amount of the other borrowings is considered to be a reasonable approximation of the fair value.

	<i>2018</i> <i>EUR</i>	<i>2017</i> <i>EUR</i>
<b>Current</b>		
Loans	670.914	94.750
	<u>670.914</u>	<u>94.750</u>

All the borrowings are short term and are due in 2019. The borrowings in amount of EUR 51,5 thousand are from the natural persons as the owners (see also note 2.4.16.1 related party transactions) and the EUR 619,4 thousand from companies.

The borrowings are not secured.

### 25. FINANCIAL COMMITMENTS

At 31 December 2018 the group had the following total commitments under operating leases:

	<i>2018</i> <i>Land and</i> <i>buildings</i> <i>EUR</i>	<i>2017</i> <i>Land and</i> <i>buildings</i> <i>EUR</i>
Operating leases expiring:		
Within one year	116.960	0
In two to five years	405.000	0
At 31 December 2018	<u>521.960</u>	<u>0</u>



Lease expense during the period amounts to EUR 36,841 (2017: EUR 0), representing the minimum lease payments.

The rental contracts has no non-cancellable terms.

A loan contract of the Group falls under IFRS16 and the effects of changes of IFRS16 will be as follows (per 1.1.2019):

## 26. CONTINGENT LIABILITIES

No warranty or legal claims were brought against the Group during the year. There are no provisions recognized. Management evaluates there is no contingent liabilities.

## 27. RELATED PARTY TRANSACTIONS

The Group's related parties include key management and others as described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Key management of the Group are the executive members of Freyherr Group board of directors Key management personnel remuneration includes the following expenses:

	2018	2017
<b>Short-term employee benefits:</b>		
– Salaries including bonuses	51.542	9.450
– Social security costs	8.298	1.521
<b>Total remuneration</b>	<u>59.840</u>	<u>10.971</u>

Key management is are also the owners of Freyherr Group. The owners as a natural persons has given loans to Freyherr Group in total amount of EUR 51,5 thousand.

## 28. POST BALANCE SHEET EVENTS

On 20 February 2019, 100 per cent. of the issued share capital of Freyherr d.o.o., was acquired by Freyherr International Group plc (FIG), a company incorporated and registered in the UK. This occurred through a share for share exchange whereby FIG issued 24,999,989 new ordinary shares of £0.01 each for £0.03 per share in exchange for a 99 per cent. holding in Freyherr d.o.o., and purchased the remaining 1 per cent. subsequently for consideration of £870.

Acquisition of minority interest of Freyherr Pharma d.o.o. (formerly INAM d.o.o., name change effective 7 May 2019).

On 9 April 2019, Freyherr d.o.o., entered into a share purchase agreement with Olium d.o.o., a company incorporated and registered in Slovenia, to purchase a 30 per cent. minority interest of Freyherr Pharma d.o.o., a company incorporated and registered in Slovenia. The consideration is payable on admission of the Ordinary shares of Freyherr International Group plc to trading on the NEX Exchange Growth Market and shall be satisfied by:

- (i) the issue of such number of new Ordinary shares which shall equal the sum of €500,000 divided by the price per Ordinary share as at admission;
- (ii) the grant of share options in respect of 236,743 Ordinary shares at an exercise price per share equal to €1.584, subject to certain vesting terms, and;
- (iii) the grant of share options in respect of such number of Ordinary shares as shall be equal to the sum of €375,000 divided by the price per Ordinary share as at admission, subject to certain vesting terms. The share options are also subject to certain terms regarding the continuous service of key personnel of Olium d.o.o..

**Loan conversion**

On 10 April 2019, Freyherr d.o.o., converted a loan of €400,000 owed to Gedala Limited, a company incorporated and registered in Cyprus, by issue of 252,525 new fully paid ordinary shares of £0.01 each in the capital of Freyherr International Group plc to Gedala Limited.

All shares issued in respect of all of the above post balance sheet events rank *pari passu* with existing ordinary shares.

**PART III**  
**FINANCIAL INFORMATION ON THE FREYHERR GROUP**

**SECTION C**

**FREYHERR INTERNATIONAL GROUP PLC**

**Pro forma Consolidated Income Statement and Statement of Net Assets**  
*as of 31<sup>st</sup> December 2018*



Freyherr International Group plc  
No. 1 London Bridge  
London  
SE1 9BG, UK

And

City & Merchant Limited  
Level 17, Dashwood House  
69 Old Broad Street  
London EC2M 1QS

Dear Sirs and Madam

**Pro Forma Consolidated Income Statement and Statement of Net Assets – Freyherr d.o.o., Freyherr Pharma d.o.o. and Patron d.o.o. (“the Group”).**

We report on the proforma Consolidated Income Statement and statement of net assets set out below relating to the Group which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the Group might have affected the financial information presented on the basis of the accounting policies adopted by the Company which would have been utilised in preparing the financial statements for the period ended 31<sup>st</sup> December 2018. This report is required by guidance issued by NEX Growth Market and is given for the purpose of complying with that guidance and for no other purposes .

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with guidance issued by the NEX Growth Market.

It is our responsibility to form an opinion, as required by guidance issued by the NEX Growth Market, as to the proper compilation of the proforma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the proforma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statements with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the proforma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

### **Opinion**

In our opinion:

- (a) the proforma statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of guidance issued by the NEX Growth Market we are responsible for this report as part of the NEX Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the NEX Admission Document in compliance with guidance issued by the NEX Growth Market.

Yours faithfully

**Tomaz Mahnic, FCCA Partner**

*Grant Thornton Audit d.o.o.*

*15<sup>th</sup> April 2018*

## Unaudited Pro Forma Statement of Net Assets of the Group

Set out below is the unaudited pro forma Consolidated Income Statement of the Group for the year to 31<sup>st</sup> December 2018 and the statement of net assets of the Group as at 31<sup>st</sup> December 2018 (the "Pro Forma Financial Information"). The Pro Forma Financial Information has been prepared on the basis set out in the notes below and has been prepared for illustrative purposes only. Because of its nature, the Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position. It is based on the audited annual reports as at 31<sup>st</sup> December 2018. Users should read the whole of this document and not rely solely on the summarised financial information contained in this section.

### CONSOLIDATED INCOME STATEMENT

	<i>2018</i>	<i>2017</i>
	<i>EUR</i>	<i>EUR</i>
<b>Revenue</b>	1,513,645	447,570
Cost of sales	854,351	193,395
<b>Gross profit</b>	659,294	254,175
Distribution costs	17,285	0
Administrative expenses	561,860	228,674
Other operating income	3,790	4,958
<b>Operating profit</b>	83,939	30,459
Finance income	4,376	910
Finance costs	14,178	4,506
	(9,802)	(3,596)
<b>Profit before taxation</b>	74,137	26,863
Taxation	10,878	10,501
<b>Retained profit for the year</b>	63,258	16,362

## STATEMENT OF NET ASSETS

	<i>Freyherr d.o.o. as at 31<sup>st</sup> December 2018 EUR</i>	<i>Patron d.o.o. as at 31<sup>st</sup> December 2018 EUR</i>	<i>Freyherr Pharma d.o.o. as at 31<sup>st</sup> December 2018 EUR</i>	<i>Adjustments on consolidation EUR</i>	<i>Pro-forma as at 31<sup>st</sup> December 2018 EUR</i>
<b>Non-current assets</b>					
Intangible assets	811	0	0	128.819	129.630
Fixed Assets	323,758	34,055	46	0	404,405
<b>Total non-current assets</b>	<b>324,569</b>	<b>34,055</b>	<b>46,592</b>	<b>128,819</b>	<b>534,035</b>
<b>Current assets</b>					
Trade and other receivables	508,450	84,838	137,774	(16,788)	714,274
Cash and cash equivalents	240	574	13,079	0	13,893
<b>Total current assets</b>	<b>1,363,776</b>	<b>168,956</b>	<b>157,708</b>	<b>(134,732)</b>	<b>1,555,708</b>
<b>Current liabilities</b>					
Trade and other payables	190,014	86,183	73,124	(16,788)	332,533
Loans and borrowings	439,444	64,000	311,472	(117,944)	696,972
<b>Total current liabilities</b>	<b>629,458</b>	<b>150,183</b>	<b>384,596</b>	<b>(134,732)</b>	<b>1,029,505</b>
<b>Net assets</b>	<b>1,058,887</b>	<b>52,828</b>	<b>(180,296)</b>	<b>128,819</b>	<b>1,060,238</b>

### Notes:

No account has been taken of the trading activities of the Group subsequent to 31<sup>st</sup> December 2018.

No account has been taken of the post balance sheet events set out in the audited accounts of the Company specified in Part III Section A of this Document.

Freyherr d.o.o. and Freyherr Pharma d.o.o. were audited as a group under IFRS and Patron d.o.o. was audited to Slovenian accounting standards.

**PART IV**  
**ADDITIONAL INFORMATION**

**1. The Company**

- 1.1 The Company was incorporated and registered in England and Wales under the Act with registered number 11160911 on 22<sup>nd</sup> January 2018 as a private company limited by shares with the name City & Merchant Shelf 8 Limited.
- 1.2 The name of the Company was changed on 8<sup>th</sup> February 2019 to Freyherr International Group Limited.
- 1.3 On 20<sup>th</sup> February 2019 resolutions of the Company were passed which *inter alia*:
- 1.3.1 authorised the Directors to allot Ordinary Shares of an aggregate nominal value of £400,000 and disapplied the pre-emption provisions of the Act in respect of such Ordinary Shares;
- 1.3.2 resolved to re-register the Company as a public company; and
- 1.3.3 adopted new Articles of Association.
- 1.4 At the annual general meeting of the Company held on 17<sup>th</sup> June 2019, resolutions of the Company were passed which *inter alia*:
- 1.4.1 authorised the Directors to allot Ordinary Shares of an aggregate nominal value of £200,000 and disapplied the pre-emption provisions of the Act in respect of such Ordinary Shares; and
- 1.4.2 empowered the Company to make market purchases of Ordinary Shares up to an aggregate number of 1,500,000 provided that the maximum price payable for such shares is 105 per cent. of the average market price for the five business days prior to such purchase.
- 1.5 On 2<sup>nd</sup> April 2019 the Company was re-registered as a public limited company.
- 1.6 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.7 The liability of the members of the Company is limited.
- 1.8 The registered office of the Company is at No. 1 London Bridge, London SE1 9BG.
- 1.9 The Company's contact telephone number is +44 (0)20 7101 7676. The Company's website is [www.Freyherr.com](http://www.Freyherr.com)
- 1.10 The Company's principal place of business is Kersnikova ulica 10, Ljubljana, 1000, Slovenia.
- 1.11 The accounting reference date of the Company is 31<sup>st</sup> December.
- 1.12 The Company has the following subsidiary undertakings:

<i>Name</i>	<i>Country of Incorporation</i>	<i>Date of Registration</i>	<i>Proportion of Ownership held (%)</i>	<i>Company number</i>
Freyherr d.o.o.	Slovenia	21 <sup>st</sup> December 2016	100%	7196997000
Patron d.o.o.* <sup>1</sup>	Slovenia	8 <sup>th</sup> January 2015	100%	6757260000
Freyherr Pharma d.o.o.* <sup>2</sup>	Slovenia	11 <sup>th</sup> March 2009	100%	3501523000

\*<sup>1</sup> Patron is wholly owned by Freyherr d.o.o.

\*<sup>2</sup> Freyherr Pharma is wholly owned by Freyherr d.o.o.

## **2. Share capital of the Company**

- 2.1 At the date of incorporation of the Company, there was one Ordinary Share in issue of £0.01 registered in the name of Mr David Papworth.
- 2.2 By way of resolutions passed on 20<sup>th</sup> February 2019 24,999,989 shares were issued in consideration for the purchase of Freyherr Slovenia. The remaining 1 per cent. was purchased from Freyherr Slovenia for €1,000.
- 2.3 On 9<sup>th</sup> April 2019, the Company and Freyherr Slovenia entered into a share purchase agreement with Olium d.o.o. ("Olium") whereby Freyherr Slovenia acquired the 30 per cent. minority interest in Freyherr Pharma from Olium. The consideration payable on Admission shall be satisfied by (i) the issue of such number of new Ordinary Shares which shall equal the sum of €500,000 divided by the Initial Price, (ii) the grant of share options in respect of 236,743 Ordinary Shares at an exercise price per share equal to €1.584, subject to certain vesting terms, and (iii) the grant of share options in respect of such number of Ordinary Shares as shall be equal to the sum of €375,000 divided by the Initial Price, subject to certain vesting terms. The share options are also subject to certain terms regarding the continuous service of key personnel of Olium.
- 2.4 On 10<sup>th</sup> April 2019 Freyherr Slovenia capitalised a loan of €400,000 and the Company issued 252,525 Ordinary Shares in consideration.
- 2.5 The issued share capital of the Company at Admission, will be as follows:
  - 2.5.1 25,763,868, all of which are fully paid.
  - 2.5.2 On Admission, the Company will be authorised to issue a further 19,488,647 Ordinary Shares for cash on a non pre-emptive basis.
- 2.6 Following Admission, the Ordinary Shares may be held in either certificated form or in uncertificated form.
- 2.7 The Ordinary Shares rank *pari passu* in all respects and rank *pari passu* for all dividends or other distributions hereafter declared, paid or made on existing Ordinary Shares.
- 2.8 Save as disclosed in this Document:
  - 2.8.1 the Company does not have in issue any securities not representing share capital and there are no outstanding convertible or redeemable securities issued by the Company; and
  - 2.8.2 no loan capital of the Company has been issued or is proposed to be issued; and no commissions, discounts, brokerage or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.
- 2.9 The Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility nor has any application for such admission been made, and it is not intended to make other arrangements for dealings in the Ordinary Shares on any such exchange other than the application to be made in connection with Admission.
- 2.10 The Company has unrestricted corporate capacity and can borrow, guarantee and give security.
- 2.11 There are no redemption provisions associated with any of the Ordinary Shares.
- 2.12 The Ordinary Shares are freely transferable provided that such shares are fully paid. The Ordinary Shares are the only class of shares in issue.

## **3. Articles of Association**

The Articles of Association, which were adopted on 20<sup>th</sup> February 2019, contain provisions which are summarised below.



### 3.1 **Objects**

Pursuant to section 31 of the Act, the objects for which the Company is established are unrestricted and the Company has full power and authority to carry out any object not prohibited by law.

### 3.2 **Voting rights**

3.2.1 At general meetings of the Company, on a show of hands, every member present in person has one vote, each authorised person appointed by a corporate member has one vote and every proxy present has one vote, unless he has been appointed by more than one member and has been instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, in which case he has one vote for and one vote against the resolution.

3.2.2 In the case of a poll at a general meeting of the Company every member has one vote for every share held by him and his voting rights may be exercised by one or more proxies.

3.2.3 These voting rights are subject to any special rights or restrictions as to entitlement to vote on a particular resolution or at particular meetings imposed by or pursuant to the Articles or attached to any shares. These include, for example, that a person becoming entitled to a share by reason of a transmission event (such as death or bankruptcy) shall not be entitled to vote with respect to those shares before being registered as holder of such shares.

### 3.3 **Allotment of shares**

Subject to the Act and any resolution of the members, the Board may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise deal with or dispose of any new shares to such persons, at such times and generally on such terms as the Board may decide.

### 3.4 **Share rights**

The share capital of the Company consists of a single class of ordinary shares of £0.01 each. The Ordinary Shares carry full voting rights and rights to dividend and to participate in any return of capital by the Company. They do not confer any rights of redemption.

### 3.5 **Variation of class rights**

3.5.1 Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the authority of a special resolution passed at a separate general meeting of the holders of the shares of that class.

3.5.2 The provisions of the Articles relating to general meetings of the Company apply to every separate general meeting of the holders of any class of shares except that:

3.5.2.1 the necessary quorum (other than at an adjourned meeting) is two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that class;

3.5.2.2 if any such separate general meeting is adjourned, the quorum at the adjourned meeting shall be those holders who are present in person or by proxy;

3.5.2.3 every holder of shares of the class shall, on a poll, have one vote in respect of every share of the class held by him; and

3.5.2.4 any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll.

### 3.6 **Power to attach rights and issue redeemable shares**

Subject to the Act and to any rights attached to any existing share or class of shares, shares may be issued with, or have attached to them, such rights as the Company may by ordinary resolution determine, including shares which are redeemable at the option of the Company or the holder.

### 3.7 **Alteration of capital and pre-emption rights**

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than is required by law, or prescribe any rights of pre-emption in relation to offers for subscription of shares in addition to or in substitution for those in the Act.

### 3.8 **Share certificates**

Every member who opts to hold shares in certificated form shall be entitled, without payment, to receive one certificate for each class of shares held by him. If a member transfers a proportion of the shares represented by a certificate, or elects to hold a proportion in uncertificated form, he shall be entitled, without payment, to receive a new certificate in respect of the balance.

### 3.9 **Uncertificated shares**

The board may permit shares of any class to be held in uncertificated form, pursuant to and subject to the CREST Regulations.

### 3.10 **Calls and liens**

3.10.1 The Company shall have a first and paramount lien on every share which is not fully paid, for all amounts paid (whether or not due) in respect of that share. The Company may sell any share subject to a lien in such manner as the Board may decide if an amount in respect of which the lien exists is due and not paid within 14 days of demand.

3.10.2 The Board may make calls on members in respect of any amount unpaid on their shares.

### 3.11 **Transfers of shares**

3.11.1 Shares may be held in uncertificated form and uncertificated shares may be transferred in accordance with the rules, procedures and practices of the relevant system and the CREST Regulations. The Directors may refuse to register a transfer of any such share where permitted by the CREST Regulations.

3.11.2 Transfers of shares in certificated form may be effected by an instrument of transfer in any usual form or in any other form approved by the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

3.11.3 The Directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer is:

3.11.3.1 in respect of a share which is fully paid up;

3.11.3.2 in respect of a share over which the Company has no lien;

3.11.3.3 in respect of only one class of shares;

3.11.3.4 in favour of a single transferee or not more than four joint transferees;

3.11.3.5 duly stamped (if required); and

3.11.3.6 accompanied by the certificate(s) for the shares to which it relates and such other evidence as the Directors may reasonably require to prove the title of the transferor to make the transfer.

3.11.4 A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

### 3.12 **Disclosure of interests in shares**

3.12.1 For so long as the Company has any of its shares admitted to trading on the NEX Exchange Growth Market (a market operated by NEX Exchange Limited), every shareholder shall comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure Guidance and Transparency Rules produced by the Financial Conduct Authority ("FCA"), forming part of the FCA Handbook (as amended from time to time).

- 3.12.2 If a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Act and is in default in supplying to the Company the information required in respect of the shares to which the notice relates (“default shares”) within 14 days after the service of such notice, (the “direction notice”) the restrictions set out below shall apply.
- 3.12.3 The default shares shall not confer on the member concerned any entitlement to attend or vote, either personally or by proxy, at a general meeting or class meeting of the Company.
- 3.12.4 Where default shares represent at least 0.25 per cent. Of the class of shares concerned, the holder of the default shares shall not be entitled in respect of the default shares:
- 3.12.4.1 to receive any dividend or other distribution; and/or
- 3.12.4.2 to transfer or agree to transfer the default shares unless the transfer is an exempt transfer.

For this purpose, an “exempt transfer” is a transfer by the acceptance of a takeover offer or a transfer on sale of the whole beneficial interest to a *bona fide* unconnected third party (including through a sale through a recognised investment exchange as defined in the FSMA).

- 3.12.5 The terms of a direction notice shall cease to have effect seven days following due compliance, to the satisfaction of the Directors, with the notice under section 793 of the Act or, if waived in whole or part by the directors, or if the transfer of any default shares is by way of an approved transfer, but only in respect of the default shares which are transferred.

### 3.13 **Dividends**

- 3.13.1 The Ordinary Shares confer no fixed dividend entitlement. The Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear justified by the financial position of the Company.
- 3.13.2 The Directors may deduct from any dividend or other moneys payable to any person or in respect of a share all such sums as may be due from him to the Company in relation to the shares of the Company.
- 3.13.3 All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years after having been declared or become due for payment shall be forfeited and shall revert to the Company.

### 3.14 **General meetings**

- 3.14.1 Annual general meetings of the Company shall be convened in accordance with the Act. The directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the Act. If at any time there are not sufficient Directors to call a general meeting, any Director or any two members may convene a general meeting.
- 3.14.2 An annual general meeting shall be called by at least 21 clear days’ notice. All other general meetings shall be called by at least 14 days’ notice. Subject to the Act, a general meeting may be called on shorter notice, if it is so agreed:
- 3.14.2.1 in the case of an annual general meeting, by all members entitled to attend and vote at that meeting; and
- 3.14.2.2 in the case of any other meeting, by a majority of the members having a right to attend and vote at the meeting, being a majority holding together not less than 95 per cent. In nominal value of the shares conferring such right.

- 3.14.3 Notice of a general meeting may be given in hard copy form, in electronic form or by means of a website.
- 3.14.4 Except as otherwise provided in the Articles, two persons entitled to vote upon the business to be transacted (each being a member or a proxy of a member or a duly authorised representative of a corporation) shall be a quorum at any general meeting of the Company.
- 3.14.5 At a general meeting, a resolution put to the vote shall be decided on a show of hands unless a poll is duly demanded before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll.
- 3.14.6 The Company shall determine the time, being no more than 48 hours before the time fixed for the meeting, by which a person must be entered on the register of members in order to be entitled to attend or vote at a general meeting.
- 3.15 **Proxies**
- 3.15.1 The appointment of a proxy shall be made in writing and shall be in any usual common form, or such other form as may be approved by the Board.
- 3.15.2 A proxy need not be a member, and a member may appoint more than one proxy to attend on the same occasion, provided that each such proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- 3.16 **Suspension of rights**
- Unless the Board otherwise decides, a member shall not be entitled to attend or vote, either in person or by proxy, at any general meeting of the Company or to exercise any other right as a member in respect of any share held by him unless and until all calls and other sums presently payable by him in respect of that share have been paid.
- 3.17 **Directors and their remuneration**
- 3.17.1 Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be fewer than two and shall not be subject to any maximum.
- 3.17.2 A Director is not required to hold any shares in the Company. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings of the Company.
- 3.17.3 Remuneration paid to the Directors for their services as officers of the Company shall be such aggregate amount as the Directors shall decide, provided that such fees do not exceed the sum of £200,000 per annum or such higher sum as the Company may by ordinary resolution determine. Any such remuneration shall be distinct from any salary, remuneration or other amounts which may be paid to a Director pursuant to any other provision of the Articles.
- 3.17.4 Any Director who performs services which, in the opinion of the Directors, go beyond the ordinary duties of a Director and not in his capacity as a holder of employment or executive officer may be paid such reasonable special remuneration as the Directors or the remuneration committee may determine.
- 3.17.5 The Company may also pay or repay to any Director all travelling, hotel and other expenses reasonably and properly incurred in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or separate meetings of the holders of any class of shares or debentures in the Company.
- 3.17.6 The Directors may establish and/or contribute to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or was at the time a director or officer or employee of the Company or any associated

company, for his benefit or for the benefit of any member of his family. The Directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

### 3.18 **Retirement and removal of Directors**

- 3.18.1 The Company may by ordinary resolution appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director, but so that the total number of Directors does not exceed any maximum fixed by or in accordance with the Articles.
- 3.18.2 The Board may appoint any person who is willing to act as a Director, either to fill a vacancy or as an additional Director, but so that the total number of Directors does not exceed any maximum fixed by or in accordance with the Articles.
- 3.18.3 Any Director appointed by the Board shall retire at the next annual general meeting after his appointment and shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- 3.18.4 A non-executive Director who has held office for nine years or more since his first appointment by general meeting shall retire at each annual general meeting of the Company and shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.
- 3.18.5 The arrangements for retirement of Directors by rotation are as follows:
- 3.18.5.1 at any annual general meeting, any Director who has not been appointed or reappointed at either of the two previous annual general meetings of the Company shall retire;
- 3.18.5.2 if the number of Directors required to retire in accordance with the above paragraph is less than one third of the total number of Directors (rounded down to the nearest whole number), one or more additional Directors shall be required to retire (being the longest to have held office since their appointment or last reappointment) such that one third of the Directors (rounded down to the nearest whole number) retire at each annual general meeting.
- 3.18.6 A Director who retires at an annual general meeting may (if willing to act) be reappointed.
- 3.18.7 The Company may, by ordinary resolution of which special notice has been given in accordance with the Act, remove any Director from office before his period of office has expired (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company).
- 3.18.8 A Director shall cease to be a Director on the happening of any of the following events:
- 3.18.8.1 he is disqualified from acting as a director or becomes prohibited by law from acting as a director, or shall cease to be a director by virtue of any provision of the Act or the Articles;
- 3.18.8.2 he gives notice of his wish to resign;
- 3.18.8.3 he becomes bankrupt or he makes any arrangement or composition with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that act;
- 3.18.8.4 by reason of his mental health, an order is made by a court which wholly or partly prevents him from personally exercising any power or right which he would otherwise have;

- 3.18.8.5 a registered medical professional gives a written opinion to the Company stating that he is physically or mentally incapable of acting as a director and will remain so for more than three months;
- 3.18.8.6 he or his alternate (if any) are absent from meetings of the Directors for the greater of six consecutive months without the consent of the Directors and the Directors resolve that his office should be vacated;
- 3.18.8.7 he is requested to resign as a Director by notice in writing signed by all of his co-directors (without prejudice to any claim for damages which he may have for breach of any contract between him and the Company);
- 3.18.8.8 he is convicted of an indictable offence or his conduct is subject to an investigation by an inspector appointed by the Secretary of State or by the Serious Fraud Office and the other Directors resolve that it is undesirable in the interests of the Company for him to remain a director; or
- 3.18.8.9 notice is given to terminate his employment or engagement with the Company where he is in breach of contract.

### 3.19 ***Proceedings of Directors***

- 3.19.1 The quorum necessary for the transaction of the business of the Directors may be fixed from time to time by the Directors and unless so fixed at any other number shall be two.
- 3.19.2 Questions arising at any meeting of the Directors shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.
- 3.19.3 A resolution in writing signed by such number of the Directors as are for the time being entitled to vote on that resolution shall be as effective as a resolution duly passed at a meeting of the Directors.

### 3.20 ***Alternate directors***

- 3.20.1 Any Director (other than an alternate director) has the power to appoint as his alternate, to exercise his powers and carry out his responsibilities during his absence (whether for a limited or an unlimited term), either another director or any other person approved for that purpose by a resolution of the Directors. The appointment of an alternate director automatically determines: if his appointor terminates the appointment; or on the happening of any event which, if he were a Director, would cause him to vacate the office of Director; or if his appointor ceases for any reason to be a Director otherwise than by retiring and being re-appointed at the same general meeting.
- 3.20.2 An alternate director is entitled to receive notice of meetings of the Directors and committees of which his appointor is a member and to attend and, in place of his appointor, to vote and be counted for the purpose of a quorum at any such meeting at which his appointor is not personally present and generally to perform all functions as a Director of his appointor in his absence.

### 3.21 ***General powers of the Board***

Subject to the Act and the Articles and any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all of the powers of the Company.

### 3.22 ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow or raise money and mortgage or charge all or any part of its undertaking, property and assets (present and future), and uncalled capital, and subject to the Act, to create and issue debentures, other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

### 3.23 **Interests and conflicts of Directors**

- 3.23.1 The Directors are empowered pursuant to section 175 of the Act to authorise any matter which would or might otherwise constitute a breach of the duty of a director to avoid a situation in which he has an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. Neither the Director in question nor any other interested Director shall be counted in the quorum at the meeting at which the matter is considered or vote on any resolution concerning any such authorisation. Under section 175(3) of the Act, no such authorisation is required in relation to a conflict of interest arising in relation to a transaction or arrangement with the Company.
- 3.23.2 A Director, notwithstanding his office, may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any company in which the Company may be interested.
- 3.23.3 Where a Director has an interest that conflicts, or possibly may conflict, with the interests of the Company or his duties to the Company and the matter constituting such conflict has been authorised by the directors or by the Company or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:
- 3.23.3.1 the Director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company;
- 3.23.3.2 the Director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of his conflict of interests or duties;
- 3.23.3.3 the Director in question need not attend meetings of the Board relating to the relevant matter.
- 3.23.4 Save as provided in the Articles, a Director shall not vote (or, if he does, his vote shall not be counted) on any resolution at a meeting of the Directors (and he shall not count in the quorum in respect of such resolution) in respect of any contract, arrangement, or transaction in which he has an interest which, together with any interest of a person connected with him (within the meaning of sections 252 and 253 of the Act), is, to his knowledge, a material interest. This prohibition does not apply in respect of any of the following matters:
- 3.23.4.1 any contract, arrangement, transaction or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- 3.23.4.2 the giving of any guarantee, security or indemnity in respect of:
- (a) money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
- (b) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
- 3.23.4.3 any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;

- 3.23.4.4 any contract, arrangement, transaction or proposal concerning any other company in which he, and any persons connected with him (within the meaning of sections 252 and 253 of the Act), do not to his knowledge hold an interest in shares (within the meaning of sections 820 to 825 of the Act) representing one per cent. Or more of any class of the equity share capital of that company or of the voting rights available to members of that company;
- 3.23.4.5 any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and/or
- 3.23.4.6 the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

### 3.24 **Winding up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company (and subject to any authority required under the Act):

- 3.24.1 divide the assets of the Company between the members (in whole or in part), and determine how that division should be carried out as between the members of different classes of members; or
- 3.24.2 vest the whole or any part of the assets in trustees upon trust for the benefit of the members, as he shall think fit.

### 3.25 **Indemnity and insurance**

3.25.1 Subject to the Act, but without prejudice to any indemnity to which he may otherwise be entitled, every Director or other officer (excluding an auditor) of the Company shall be indemnified out of the assets of the Company against any liabilities incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company including where the Company is trustee of an occupational pension fund (provided that no indemnity shall be provided to the extent that it would be void under the Act).

3.25.2 Subject to the Act, the Directors may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time:

- 3.25.2.1 a director or other officer or employee of the Company (other than auditor) or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any interest (whether direct or indirect) or with which the Company (or any such holding company or subsidiary undertaking) is or was in any way associated or allied; or
- 3.25.2.2 a trustee of any pension fund in which employees of the Company or any other body referred to in the above paragraph is or has been interested; including, without limitation, insurance against any liability incurred by such person in respect of any act or omission in the actual or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to the relevant body or fund.

3.26 The provisions of section 561 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 1166 of the Act) will apply to the extent not disapplied by a special resolution of the Company.

3.27 There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.

3.28 There is nothing contained in the Articles which governs the ownership threshold above which member ownership must be disclosed.



- 3.29 Save as set out above, there are no provisions in the Articles or otherwise which give any person enhanced rights in the Company's profits.
- 3.30 There are no conversion rights attached to any of the shares in the Company pursuant to the Articles or otherwise.

#### 4. Directors' Interests

<i>Name</i>	<i>No. of Ordinary Shares as at the date of this Document and on Admission</i>	<i>% of Issued Share Capital on Admission</i>
Luka Freyer	7,323,232	28.42%
Tomaž Frelj <sup>*1</sup>	7,133,838	27.69%
Eva Tavčar Benkovič	3,535,353	13.72%
Boris Eržen <sup>*2</sup>	1,010,100	3.92%
Tony Burke	nil	nil

<sup>\*1</sup> These shares are held by Profiling d.o.o., incorporated in Slovenia, of which Mr Frelj and his wife are the sole directors and shareholders.

<sup>\*2</sup> These shares are held by Gedala Limited, incorporated in Cyprus, and its wholly owned subsidiary Avemontis d.o.o. incorporated in Slovenia. Mr Eržen is the ultimate beneficial owner of Gedala Limited.

- 4.1 Other than as set out above at the date of this Document and on Admission there were no interests of the Directors and their immediate families and, so far as they are aware having made due and careful enquiries, of persons connected with them (all of which are beneficial, unless otherwise stated) (so far as is known to the Directors, or could with reasonable diligence be ascertained by them) (within the meaning of sections 252 to 254 of the Act) in the Issued Share Capital.
- 4.2 Neither the Company nor the Directors are aware of any arrangements or operations of which may, at a subsequent date, result in a change in control of the Company, nor that the Company is owned or controlled directly or indirectly by any entity.
- 4.3 Save as disclosed in paragraph 5.1 below, as at the date of this Document the Directors are not aware of any interest which will immediately following Admission represent three per cent. or more of the Issued Share Capital or voting rights of the Company or of any person who, directly or indirectly, jointly or severally, exercises or could exercise control of the Company.
- 4.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 4.5 There are no other Persons Discharging Managerial Responsibility and holding Ordinary Shares at Admission (including members of their family and connected persons).
- 4.6 No Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

## 5. Significant Shareholders

- 5.1 In addition to the holdings disclosed in paragraph 4.1 above, as at 15<sup>th</sup> July 2019 (being the latest practicable date prior to the publication of this Document) the Company has been notified or is aware of the following holdings which will, following Admission, represent more than three per cent. of the Issued Share Capital or voting rights of the Company:

<i>Name</i>	<i>No. of Ordinary Shares as at the date of this Document and on Admission</i>	<i>% of Issued Share Capital on Admission</i>
Beautiful Things Foundation	2,777,777	10.78%
Marko Rogl	1,111,111	4.31%

- 5.2 The Company and its Directors are not aware of any arrangements, the operations of which may, at a subsequent date, result in a change of control of the Company.

## 6. Directors' Terms of Appointment

- 6.1 The Group has entered into director service agreements and contracts of employment as follows:
- 6.1.1 On 10<sup>th</sup> June 2019, Tomaž Frelj entered into a director's service agreement with the Company, under the terms of which Mr Frelj has agreed to act as a Director of the Company for an annual fee of £2,500. The appointment shall continue unless terminated by either party giving to the other not less than six months' notice. The agreement contains restrictive covenants on the Director in the event of termination.
- 6.1.2 Mr Frelj entered into a local employment contract with Freyherr Slovenia effective 1<sup>st</sup> April 2017 under the terms of which Mr Frelj is employed by Freyherr Slovenia. The annual net salary, with effect from Admission is €48,000 (which is approximately €88,500 gross). Consistent with Mr Frelj's director service agreement with the Company, his contract of employment shall continue unless terminated by either party giving to the other not less than six months' notice.
- 6.1.3 On 10<sup>th</sup> June 2019, Luka Freyer entered into a director's service agreement with the Company, under the terms of which Mr Freyer has agreed to act as a Director of the Company for an annual fee of £2,500. The appointment shall continue unless terminated by either party giving to the other not less than six months' notice. The agreement contains restrictive covenants on the Director in the event of termination.
- 6.1.4 Mr Freyer entered into a local employment contract with Patron effective 25<sup>th</sup> April 2016 under the terms of which Mr Freyer is employed by Patron. The annual net salary with effect from Admission is €48,000 (which is approximately €88,500 gross). Consistent with Mr Freyer's director service agreement with the Company, his contract of employment shall continue unless terminated by either party giving to the other not less than six months' notice.
- 6.1.5 On 10<sup>th</sup> June 2019, Eva Tavcar Benković entered into a director service agreement with the Company, under the terms of which Ms Benković has agreed to act as a Director of the Company for an annual fee of £2,500. The appointment shall continue unless terminated by either party giving to the other not less than six months' notice. The agreement contains restrictive covenants on the Director in the event of termination.
- 6.1.6 Ms Tavčar Benković entered into a local employment contract with Freyherr Slovenia effective 1 August 2018 under the terms of which Ms Benković is employed by Freyherr Slovenia. The annual net salary with effect from Admission is €48,000 (which is approximately €88,500 gross). Consistent with Ms Benković's director service agreement with the Company, her contract of employment shall continue unless terminated by either party giving to the other not less than six months' notice.
- 6.1.7 On 10<sup>th</sup> April 2019, Tony Burke entered into a Non-Executive Directors Appointment Letter with the Company, under the terms of which Mr Burke has agreed to act as a Non-Executive Director and Chairman of the Company for an annual fee of £20,000. The appointment will be for an initial period of 12 months effective from Admission unless

terminated by either party giving to the other not less than three months' notice in writing, such notice not to be given before 12 months' after the date of Admission.

6.1.8 On 10<sup>th</sup> April 2019, Boris Eržen entered into a Non-Executive Directors Appointment Letter with the Company, under the terms of which Mr Eržen has agreed to act as a Non-Executive Director of the Company for no fee. The appointment will be for an initial period of 12 months effective from Admission unless terminated by either party giving to the other not less than three months' notice in writing, such notice not to be given before 12 months' after the date of Admission.

6.1.9 On 11<sup>th</sup> July 2018, Avemontis d.o.o. entered into a contract for services with Freyherr Slovenia to provide the services of Mr Eržen to Freyherr Slovenia, under the terms of which Mr Eržen has agreed to provide certain services for no fee except for the opportunity to purchase shares in Freyherr Slovenia. These shares were exchanged for Ordinary Shares and there are no more shares to be issued in connection with the agreement. The appointment shall continue for four years unless terminated by either party giving to the other not less than 10 days' notice in writing.

6.2 Save as referred to above, there are no service agreements or letters of appointment in existence between any of the Directors and the Company.

6.3 No remuneration has been paid to any Director of the Company since incorporation.

## 7. Additional Information on the Directors

7.1 In addition to directorships of the Company, the Directors hold or have held the following directorships (including directorships of companies registered outside England and Wales) or have been partners in the following partnerships within the five years prior to the date of this Document:

<i>Director</i>	<i>Current directorships</i>	<i>Previous directorships</i>
Tomaž Frelih	Simularis d.o.o. Patron d.o.o. Freyherr d.o.o. Freyherr Pharma d.o.o. MAM d.o.o. Profiling d.o.o. Covilus d.o.o.	Supplea d.o.o (dissolved 24 <sup>th</sup> November 2014) Linsa d.o.o (dissolved 22 <sup>nd</sup> December 2014)
Luka Freyer	Patron d.o.o.	
Eva Tavčar Benković	None	
Boris Eržen	Avemontis d.o.o. Ave Mare d.o.o. Hangar C111 d.o.o.	Ekipa2 d.o.o. (resigned 15 <sup>th</sup> February 2018)
Tony Burke	Veracity Capital Partners Ltd.	Moneyjar Financial Services Ltd. (dissolved – 11 <sup>th</sup> July 2017)

7.2 None of the Directors has:

7.2.1 had any previous names;

7.2.2 any unspent convictions in relation to indictable offences;

7.2.3 had any bankruptcy order made against him or entered into any voluntary arrangements;

7.2.4 been a director of a company which has been placed in receivership, insolvent liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

- 7.2.5 been a partner in any partnership which has been placed in insolvent liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.6 been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- 7.2.7 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 7.2.8 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

None of the Directors has, or has had, any conflict of interest between any duties to the Company and their private interests or any duties they owe.

## **8. Taxation**

### **8.1 United Kingdom**

The following paragraphs are intended only as a general guide to current aspects of UK tax law and practices of the local tax authorities of those countries, as described herein for Shareholders who are holding Ordinary Shares beneficially as investments. No statements are made with respect to the tax treatment of the ownership or disposal of the shares in any other jurisdiction and Shareholders who are citizens of, or resident or ordinarily resident in, countries other than the UK are strongly advised to seek independent professional advice in connection with the local tax consequences of investing in Ordinary Shares.

#### **8.1.1 *Tax treatment of UK investors***

The following information, which relates only to UK taxation, is applicable to persons who are resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade. It is based on the law and practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

- 8.1.1.1 who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of the classes of shares in the Company; or
- 8.1.1.2 who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or
- 8.1.1.3 who are in any doubt as to their taxation position.

Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected, will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

#### **8.1.2 *Dividends***

Where the Company pays dividends, Shareholders who are resident in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident individual Shareholders who are domiciled in the UK, and who hold their Shares as investments, will be subject to UK income tax on the amount of dividends received from the Company.

Dividend income received by UK tax resident individuals will have a £2,000 dividend tax allowance. Dividend receipts in excess of £2,000 will be taxed at 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

Shareholders who are subject to UK corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

#### 8.1.3 *Disposals of Ordinary Shares*

Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

Shareholders are subject to capital gains tax on disposal of Ordinary shares at a rate of 10 per cent. for basic rate taxpayers and a rate of 20 per cent. for higher rate and additional rate taxpayers.

For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Subject to certain exemptions, the corporation tax rate applicable to its taxable profits is currently 19 per cent., falling to 17 per cent. after 1<sup>st</sup> April 2020.

#### 8.1.4 *Further information for Shareholders subject to UK income tax and capital gains tax*

##### 8.1.4.1 "Transactions in securities"

The attention of Shareholders (whether corporates or individuals) within the scope of UK taxation is drawn to the provisions set out in, respectively, Part 15 of the Corporation Tax Act 2010 and Chapter 1 of Part 13 of the Income Tax Act 2007, which (in each case) give powers to HMRC to raise tax assessments so as to cancel "tax advantages" derived from certain prescribed "transactions in securities".

#### 8.1.5 *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or SDRT or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

#### 8.1.6 *Ordinary Shares held in certificated form*

No stamp duty or SDRT will generally be payable on the issue of Ordinary Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on NEX Exchange Growth Market (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

8.1.6.1 the Shares are admitted to trading on NEX Exchange Growth Market, but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and

8.1.6.2 NEX Exchange Growth Market continues to be accepted as a "recognised growth market" as construed in accordance with section 99A of the Finance Act 1986).

In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances.

The above comments are intended as a guide to the general stamp duty and SDRT position and may not relate to persons such as charities, market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

## **9. Relevant provisions of the City Code**

### **9.1 *Mandatory bids***

Other than as provided by the Act and the City Code, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company.

The City Code applies to the Company from Admission. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

### **9.2 *Squeeze-out rules***

Under the Act, if a "takeover offer" (as defined in section 974 of the Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90 per cent. in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

### **9.3 *Sell-out rules***

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. in value of the shares and not less than 90 per cent. of the voting rights carried by the shares in the Company, any holder of shares to which the offer

related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## **10. Other disclosures relating to Shareholders**

The Company is not aware of any persons who, as at the date of this document and immediately after Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

## **11. Material Contracts**

### **11.1 City & Merchant Engagement Letter**

The Company has entered into an engagement letter dated 9<sup>th</sup> November 2018 with City & Merchant pursuant to which the Company has appointed City & Merchant to act as the corporate advisor to the Company for the purposes of seeking admission of the Company's shares to trading on the NEX Exchange Growth Market, for which, the Company agreed to pay £37,500.

### **11.2 City & Merchant Corporate Advisor Agreement**

The Company entered into a NEX Exchange Corporate Advisor agreement dated 10<sup>th</sup> June 2019 with City & Merchant pursuant to which the Company has appointed City & Merchant to act as corporate advisor to the Company on an ongoing basis following Admission for which the Company agreed to pay an annual fee of £21,000, payable quarterly in advance. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement continues for a fixed period of one year from the date of Admission and thereafter is subject to termination by either party giving three months' prior written notice.

### **11.3 City & Merchant Warrants**

The Company has entered into a warrant agreement with City & Merchant dated 10<sup>th</sup> June 2019 pursuant to which City & Merchant has been granted warrants equivalent to 1 per cent. of the Company's share capital on Admission as enlarged by the warrants. The warrants are exercisable in five tranches as follows – (i) 20 per cent. from Admission, (ii) 20 per cent. six months from Admission, (iii) 20 per cent. 12 months from Admission, (iv) 20 per cent. 20 months from Admission, and (v) 20 per cent. 30 months from Admission. The exercise price of the warrants is as follows – (a) 50 per cent. of the warrants shall be exercisable at the Initial Price, (b) 25 per cent. of the warrants shall be exercisable at the Initial Price plus 100 per cent., and (c) 25 per cent. of the warrants shall be exercisable at the Initial Price plus 200 per cent.

### **11.4 Helford Memorandum of Understanding**

Freyherr Slovenia has entered into a memorandum of understanding with Helford dated 28<sup>th</sup> May 2018 pursuant to which Helford shall provide corporate advisory services to Freyherr Slovenia. The fees payable to Helford under the memorandum of understanding shall be based on a rate of £150 per hour for each individual advisor. Total fees payable to 31<sup>st</sup> March 2019 were £63,000. In addition, Helford will also receive a commission of 0.5 per cent. on funds raised from investors introduced by Helford. This agreement falls away on Admission.

### **11.5 Helford Investor Relations Agreement**

The Company has entered into an agreement with Helford dated 20<sup>th</sup> May 2019 pursuant to which Helford shall provide investor relations services to the Company. The fees payable to Helford pursuant to the agreement shall be £50,000 p.a. Following an initial period of 6 months, the Agreement is renewable quarterly.

#### 11.6 **Company Secretarial Services**

The Company has entered into an agreement with David Papworth, a director of City & Merchant, to provide company secretarial services to the Company. The principal terms are an annual fee of £3,000. The appointment commenced on 1<sup>st</sup> February 2019 and is terminable upon three months' notice expiring on or after 31<sup>st</sup> July 2019.

#### 11.7 **Directors' Lock-In Agreements**

Each of the Directors, other than Tony Burke who does not hold any Ordinary Shares, have entered into a Lock-in Agreement with City & Merchant and the Company not to dispose of any Ordinary Shares held by him or her for a period of 12 months from Admission (the "Lock-in Period"). In addition, he or she has undertaken to the Company and City & Merchant not to dispose of Ordinary Shares for a period of 12 months after the end of the Lock-In Period without first consulting the Company and City & Merchant in order to maintain an orderly market for the Ordinary Shares.

#### 11.8 **Shareholder Lock-In Agreement**

The Beautiful Things Foundation has entered into a Lock-in Agreement with City & Merchant and the Company not to dispose of any Ordinary Shares held by it for a period of 12 months from Admission (the "Lock-in Period"). In addition, it has undertaken to the Company and City & Merchant not to dispose of Ordinary Shares for a period of 12 months after the end of the Lock-In Period without first consulting the Company and City & Merchant in order to maintain an orderly market for the Ordinary Shares.

#### 11.9 **Placing Agreement**

A Placing Agreement dated 10<sup>th</sup> June 2019 was entered into by the Company and City & Merchant pursuant to which the Company appointed City & Merchant to act as book runner for the Book Build for which the Company agreed to pay a fee of £15,000 plus a commission of 5 per cent. on funds raised out of which it shall meet sub distributor commissions, and grant the warrants referred to in Paragraph 11.3 above.

#### 11.10 **Acquisition of 30 per cent. of Freyherr Pharma**

On 9<sup>th</sup> April 2019, the Company and Freyherr Slovenia entered into a share purchase agreement with Olium d.o.o. ("Olium") whereby Freyherr Slovenia acquired the 30 per cent. minority interest in Freyherr Pharma from Olium. The consideration payable on Admission shall be satisfied by (i) the issue of such number of new Ordinary Shares which shall equal the sum of €500,000 divided by the Initial Price, (ii) the grant of share options in respect of 236,743 Ordinary Shares at an exercise price per share equal to €1.584, subject to certain vesting terms, and (iii) the grant of share options in respect of such number of Ordinary Shares as shall be equal to the sum of €375,000 divided by the Initial Price, subject to certain vesting terms. The share options are also subject to certain terms regarding the continuous service of key personnel of Olium.

Pursuant to the share purchase agreement, the loan from Olium to Freyherr Pharma in the sum of €233,740 plus applicable interest was assigned to Freyherr Slovenia in consideration for the issue by the Company of such number of Ordinary Shares which shall equal the sum of €233,740 and the applicable interest thereon divided by the Initial Price.

#### 11.11 **Acquisition of Freyherr Slovenia**

On 20<sup>th</sup> February 2019 the shareholders of Freyherr Slovenia entered into a share exchange agreement with the Company whereby 99 per cent. of the shares in Freyherr Slovenia were transferred to the Company in consideration for the issue by the Company of 24,999,989 Ordinary Shares. The remaining 1 per cent. was acquired by the Company for €1,000 in cash.

#### 11.12 **Acquisition of Patron**

By way of transfer agreements dated 6<sup>th</sup> February 2019 between Freyherr Slovenia (1) and the shareholders of Patron (being Luka Freyer, Profiling d.o.o., Kyle Michael, Jaka Azman and Peter Zibert) (2), all of the business shares in Patron were acquired by Freyherr Slovenia in consideration for the issue of shares out of treasury in Freyherr Slovenia.



### 11.13 **Gedala Loans**

- 11.13.1 On 31<sup>st</sup> December 2018 Freyherr Slovenia entered into a loan agreement with Gedala Limited, of which the ultimate beneficial owner is Boris Eržen. Pursuant to the loan agreement, Freyherr Slovenia borrowed €400,000 from Gedala Limited, repayable on 28<sup>th</sup> February 2019 together with interest at five per cent. per annum.

By way of a conversion notice on 10<sup>th</sup> April 2019, Freyherr Slovenia agreed with Gedala Limited to convert the loan into 252,525 Ordinary Shares in the Company with an amount of €2,924.73 paid in cash in respect of the accrued interest.

- 11.13.2 On 7<sup>th</sup> December 2018, Freyherr Slovenia entered into a loan agreement with Gedala Limited, of which the ultimate beneficial owner is by Boris Eržen. Pursuant to the loan agreement, Freyherr Slovenia borrowed €250,000 from Gedala Limited, repayable on 7<sup>th</sup> January 2019 together with interest at five per cent. per annum. Gedala has agreed to waive repayment pending the re-financing proposed in paragraph 7 of Part I of this Document.

### 11.14 **PCX Invest Financial Claim Insurance Agreement**

- 11.14.1 On 7<sup>th</sup> January 2019 Freyherr Slovenia entered into a 'Financial Claim Insurance Agreement' with PCX Invest, svetovalni inženiring d.o.o. as lender ("Lender") and Freyherr Pharma as borrower. Pursuant to that agreement Freyherr Slovenia, as guarantor, permitted the Lender to enter a lien over the shares held by Freyherr Slovenia in Freyherr Pharma as a guarantor for the performance of Freyherr Pharma's obligations under a loan agreement (the "PCX Loan Agreement") entered into between the Lender and Freyherr Pharma. Pursuant to the PCX Loan Agreement, Freyherr Pharma borrowed €700,000. Under the Financial Claim Insurance Agreement Freyherr Slovenia also agreed, jointly and severally with other shareholders of Freyherr Pharma, to guarantee all of Freyherr Pharma's obligations under the PCX Loan Agreement.

- 11.14.2 On 28<sup>th</sup> May 2019 Freyherr Slovenia entered into an agreement with the Lender pursuant to which it was agreed that the repayment of the loan principal of the PCX Loan described in paragraph 11.14.1 above would be repayable as to 35 equal monthly instalments of €35,000, should the refinancing noted in Paragraph 7 of Part I of this document not proceed.

### 11.15 **Agreement to vary the terms of the MAM Loan Agreement**

- 11.15.1 Freyherr Slovenia has entered into an agreement dated 19<sup>th</sup> January 2018 (the "MAM Loan Variation Agreement") with MAM pursuant to which the terms of a loan agreement between Freyherr Slovenia and MAM were varied. The effect of this agreement was to extinguish previous provisions in loan agreements with permitting repayment of the loan by MAM in instalments and to make the loan repayable on demand by Freyherr Slovenia, subject to Freyherr Slovenia having taken into account the prevailing financial situation of MAM at the time of any such demand for repayment.

### 11.16 **Agreement to extend the repayment terms of the Gedala Loan**

- 11.16.1 On 16<sup>th</sup> May 2019 Freyherr Slovenia entered into an agreement with Gedala Limited pursuant to which it was agreed that the repayment date for the loan described in paragraph 11.13.2 above (the "Gedala Loan") would be extended until the earlier of 30<sup>th</sup> December 2020 or 8 business days after such date as Freyherr Slovenia had secured new bank finance to re-finance both the Gedala Loan and the loan entered into with PCX Invest by Freyherr Pharma. In addition Freyherr Slovenia agreed that should the Gedala Loan not be repaid before 31<sup>st</sup> August 2019, the Lender would have the option to convert its loan into shares in the Company at a price per share equal to the Initial Price, or, in the event Admission does not proceed, at a price of €1.584 per share.

## 12. **Related Party Transactions**

There are no material related party transactions to which the Company was a party during the period of twelve months preceding the date of this Document other than as disclosed elsewhere in this Document.

### **13. Litigation**

Neither the Company nor the Group is involved in any legal, governmental or arbitration proceedings which may have or have had since incorporation a significant effect on the Company's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

### **14. General**

14.1 The total costs and expenses in relation to Admission payable by the Company are estimated to amount to approximately £125,000.

14.2 Except as disclosed in this Document and for the advisers named on page 8 of this Document, no person has received, directly or indirectly, from the Company during the twelve months preceding the date of this Document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after the start of trading on the NEX Exchange Growth Market, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more (calculated by reference to the price) or any other benefit to a value of £10,000 or more.

14.3 Except as disclosed in this Document, there has been no significant change in the financial or trading position of the Company since 31<sup>st</sup> December 2018, the date to which the Financial Information in Part III of this Document was prepared.

14.4 Grant Thornton Audit d.o.o. has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of their report as set out in Part III of this Document and the references thereto. Grant Thornton Audit d.o.o. also accepts responsibility for its report.

14.5 Kingston Smith LLP has given and has not withdrawn its written consent to the issue of this Document with the inclusion herein of their report as set out in Part III of this Document and the references thereto. Kingston Smith LLP also accepts responsibility for its report.

14.6 City & Merchant has given and not withdrawn its written consent to the inclusion in this Document of references to its name in the form and context in which it appears.

14.7 There are no investments in progress and there are no future investments in respect of which the Directors have already made firm commitments which are significant to the Company.

14.8 No financial information contained in this Document is intended by the Company to represent nor constitute a forecast of profits by the Company nor constitute publication of accounts by it.

14.9 The Directors accept responsibility for the financial information contained in Part III of this Document which has been prepared in accordance with the law applicable to the Company.

#### **14.10 Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company on Admission will be sufficient for the present requirements of the Company, that is, for the period of twelve months following Admission.

#### **14.11 Availability of this Document**

Copies of this Document will be available free of charge to the public during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the registered office of the Company and from the offices of City & Merchant Limited, Level 17, Dashwood House, 69 Old Broad Street, London, EC2M 1QS and shall remain available for at least one month after the date of Admission.

Dated: 9<sup>th</sup> August 2019

## PART V

### TECHNICAL TERMS

“acre”	0.404686 hectares;
“active pharmaceutical ingredient”	any substance or mixture of substances intended to be used in the manufacture of a medicinal product and that, when used in its production, becomes an active ingredient of that product intended to exert a pharmacological, immunological or metabolic action with a view to restoring, correcting or modifying physiological functions or to make a medical diagnosis;
“CBD”	Cannabidiol, a naturally occurring non-psychoactive compound found in the resinous flower of cannabis;
“CBN”	Cannabinol a naturally occurring non-psychoactive compound found in the resinous flower of cannabis;
“Endocannabinoid System”	the network of neurons, endocannabinoids and cannabinoid receptors in all vertebrates;
“EU database of registered plant varieties”	the EU approved list of all the agricultural and vegetable plant varieties whose seed can be marketed throughout the European Union;
“the European Cannabis Report”	the European Cannabis Report produced by Prohibition Partners in January 2019;
“FMCG”	Fast Moving Consumer Goods;
“GDP”	Good Distribution Practice, a term in the pharmaceutical and medical device industries to describe the minimum standards that a wholesale distributor must meet to ensure that the quality and integrity of medicines is maintained throughout the supply chain;
“Good Manufacturing Practice (“GMP”) Rules”	The rules governing medicinal products in the European Union containing guidance for the interpretation of the principles and guidelines of good manufacturing practices for medicinal products for human and veterinary use as set out on the website of the European Union from time to time at <a href="http://ec.europa.eu/health/documents/eudralex/vol-4/index_en.htm">http://ec.europa.eu/health/documents/eudralex/vol-4/index_en.htm</a> ;
“hectare”	10,000 m <sup>2</sup> ;
“hybrid greenhouse”	a greenhouse with computerised control over humidity, CO <sub>2</sub> , water, light levels, photoperiod (12-12) light cycles, temperature, cooling, where most of these functions can be automated;
“kg” or “kilogram”	the SI unit of mass, equivalent to the international standard kept at Sèvres near Paris which is approximately 2.205 lb);
“Novel Food”	foods which have not been widely consumed by people in the EU before May 1997;
“Novel Foods Regulations”	regulations made pursuant to the Novel Foods Regulation (Regulation (EU) No 2015/2283);
“Phytocannabinoids”	the naturally occurring cannabinoids found in the cannabis plant;

“Qualified Person”	a person meeting the requirements of Article 49 of EU Directive 2001/83/EC in order to be responsible;
“SME”	small and medium sized enterprises being non-subsidiary independent firms employing fewer than 250 employees;
“THC”	Tetrahydrocannabinol a naturally occurring psychoactive compound found in the resinous flower of cannabis;
“tonne”	a metric unit of mass equal to 1,000 kilograms.

