Company Registration No. 09750155 (England and Wales)

MGC Pharma (UK) Ltd

Report and financial statements
for the year ended 30 June 2018

MGC Pharma (UK) Ltd

Company information

Directors	Nativ Segev Roby Zomer Brett Mitchell Anthony Eastman
Company number	09750155
Registered office	c/o Central Working Ecclestone Yards 25 Ecclestone Place London SW1W 9NF
Independent Auditor	PKF Littlejohn LLP Statutory auditor 2nd Floor 1 Westferry Circus Canary Wharf London E14 4HD
Bankers	Metrobank One Southampton Row London WC1B 5HA

Contents

The directors present their report and financial statements for the year ended 30 June 2018. The comparative comprises the year ended 30 June 2017.

Principal activities

MGC Pharma (UK) Ltd ("the Company") is a limited company (registered number 09750155) domiciled in the UK and incorporated on 26 August 2015. The principal activity of the Company is looking for opportunities to develop businesses and companies focused in the medicinal cannabis sector.

Results and dividends

The profit for the period before taxation amounted to £86,500 (2018: loss of £107,592). The directors do not recommend the payment of a dividend (2017: nil).

Directors

The following directors have held office during the year ended 30 June 2018:

Roby Zomer
Nativ Segev
Brett Mitchell
Anthony Eastman

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risks and uncertainties are integrated within the principal risks of the group and are not currently managed separately. Further discussion of these risks and uncertainties, in the context of the group as a whole, are provided in the group's 2018 Annual Report, available on the website - https://mgcpharma.com.au.

Statement of disclosure to auditors

So far as each of the directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Under section 487 of the Companies Act 2006, PKF Littlejohn LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the Registrar, whichever is earlier. PKF Littlejohn LLP has indicated its willingness to continue in office.

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

On behalf of the board

Anthony Eastman
Director
29 March 2019

Statement of directors' responsibilities

The directors are responsible for preparing the 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 prepared the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 the profit or loss of the company for that period.

In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Anthony Eastman
Director
29 March 2019

Independent auditor's report to the members of MGC Pharma (UK) Ltd
Opinion

We have audited the financial statements of MGC Pharma (UK) Limited (the 'company') for the year ended 30 June 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 other information comprises the information included in the directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report have 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 in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for*. This description forms part of our auditor's report.

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 so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer **(Senior statutory auditor)**
For and on behalf of PKF Littlejohn LLP
Statutory auditor
29 March 2019

Joseph Archer

1 Westferry Circus
Canary Wharf
London E14 4HD

MGC Pharma (UK) Ltd

Statement of comprehensive income
For the year ended 30 June 2018

	Notes	2018	2017
		£	£
Revenue	5	507,350	240,000
General and administrative costs	6	(521,874)	(443,062)
Depreciation and impairment		(399)	(18,354)
Operating loss		**(14,923)**	**(221,416)**
Finance income	9	75,809	49,186
Exchange gain		25,614	64,638
Profit / (loss) before tax		**86,500**	**(107,592)**
Income tax	10	-	-
Profit / (loss) for the year		**86,500**	**(107,592)**
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		**86,500**	**(107,592)**

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 9 to 18 form part of these financial statements.

MGC Pharma (UK) Ltd

Statement of financial position
As at 30 June 2018
Company number: 09750155

	Notes	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment		-	399
Investments	11	880,574	880,574
Other receivables	12	3,746,179	1,977,503
		4,626,753	2,858,476
Current assets			
Cash and cash equivalents		22,808	16,268
Trade and other receivables	12	21,459	21,798
		44,267	38,066
Total Assets		**4,671,020**	**2,896,542**
Equity			
Equity attributable to owners of the Company			
Share capital	15	10	10
Capital contribution		618,268	487,119
Accumulated loss		(262,859)	(349,359)
		355,419	137,770
Liabilities			
Non-current liabilities			
Borrowings	13	4,140,845	2,210,249
		4,140,845	2,210,249
Current liabilities			
Trade and other payables	13	48,347	42,855
Contingent consideration	14	126,409	505,670
		174,756	548,525
Total Equity and Liabilities		**4,671,020**	**2,896,542**

The notes on pages 9 to 18 form part of these financial statements.

The financial statements were authorised for issue by the Board on 29 March 2019 and were signed on its behalf.

Anthony Eastman
Director

Statements of changes in equity
For the year ended 30 June 2018

	Notes	Share capital £	Capital Contribution £	Accumulated loss £	Total £
Balance at 1 July 2016		10	183,509	(241,767)	(58,248)
Total comprehensive income for the period		-	-	(107,592)	(107,592)
Capital contribution	13	-	303,610	-	303,610
Total transactions with owners, recognised directly in equity		-	303,610	(107,592)	196,018
Balance at 30 June 2017		**10**	**487,119**	**(349,359)**	**137,770**
Total comprehensive income for the year		-	-	86,500	86,500
Capital contribution	13	-	131,149	-	131,149
Total transactions with owners, recognised directly in equity		-	131,149	86,500	217,649
Balance at 30 June 2018		**10**	**618,268**	**(262,859)**	**355,419**

The notes on pages 9 to 18 form part of these financial statements.

MGC Pharma (UK) Ltd

Statement of cash flow
For the year ended 30 June 2018

	Notes	2018	2017
		£	£
Cash flows from operating activities			
Cash used in operating activities	16	(516,043)	(501,336)
Net cash used in operating activities		(516,043)	(501,336)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Payment for investments		(481,186)	(101,925)
Net cash used in investing activities		(481,186)	(101,925)
Cash flows from financing activities			
Loans from group companies		(1,092,966)	(845,862)
Borrowings from group companies		2,096,833	1,465,391
Net cash from financing activities		1,003,867	619,529
Net increase in cash and cash equivalents		**6,638**	**16,268**
Cash and cash equivalents at beginning of the period		16,268	-
Cash and cash equivalents at end of the year / period		**22,806**	**16,268**

Adjustments have been made in respect of non-cash interest movements in respect of amounts due to / from group companies with a net effect of £166,268.

1 General information

The principal activity of the Company is looking for opportunities to develop businesses and companies focused in the medical cannabis sector. The Company is domiciled in the United Kingdom and incorporated and registered in England and Wales (company number 09750155). The Company's registered office is Ecclestone Yards, 25 Ecclestone Place, London SW1W 9NF.

2 Accounting policies

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

Basis of preparation

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

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in the financial statements, are disclosed in Note 4.

Exemption from preparing consolidated financial statements has been taken under the provision of Section 400 of the Companies Act 2006, as the parent company MGC Pharmaceuticals Limited consolidated financial statements are publically available on the website - https://mgcpharma.com.au. Therefore, the financial statements show information about the company as an individual entity.

Going concern

The Company is required to assess whether it has sufficient resources to continue its operations and to meet its commitments for the foreseeable future. The directors have prepared the financial statements on a going concern basis, as in their opinion the Company is able to meet its obligations as they fall due. This opinion is based on detailed forecasting for the 12 months from the date of signing, based on current and expected market conditions, together with current performance levels. It also considers the expectation that future funds will be available from the parent company and the ability of the parent company to provide such funds.

Foreign currencies

The financial information is presented in Sterling which is the Company's functional and presentational currency.

Transactions in currencies other than the functional currency are recognised at the rates of exchange on the dates of the transactions. At each reporting date, monetary assets and liabilities are retranslated at the rates prevailing at the reporting date with differences recognised in the Statement of comprehensive income in the period in which they arise.

Revenue recognition

Revenue comprises management charges to the subsidiary companies. This is recognised at the fair value of the consideration received or receivable for the services provided to the subsidiary in the ordinary course of the Company's activity. Revenue is shown net of value added tax, returns, rebates and discounts. The Company recognises revenue when the amount of the revenue can be reliably measured and when it is probable that economic benefits will flow to the entity.

2 Accounting policies (continued)

Financial Instruments

Classification

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial instruments at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires.

Recognition and measurement

At initial recognition, the Company classified its financial instruments in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and amounts due from related parties.

Loans and receivables are initially recognised at the amount expected to be received, less, when material, a discount to reduce the loans receivable to fair value. Subsequently, loans and receivables are measured at amortised cost using the effective interest method less a provision for impairment.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include trade and other payables and amounts due to related parties. The financial liabilities are initially recognised at the amount to be paid, less, when material, a discount to reduce the payables to fair value. Financial liabilities are subsequently measured at amortised cost using the effective interest method. These are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment – 3 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Investments

Investments consist of investments in subsidiary undertakings. Investments in subsidiary undertakings are stated at cost less provision for impairment. Where a development loan has been provided to a subsidiary the discounted element of the intercompany loan has been taken to investments to reflect the nature of the underlying loan, with the discounted amount being recognised directly within investments.

Share capital/equity instruments and reserves

Ordinary shares are classified as equity. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Capital contribution relates to the discounting of intercompany loans from the parent company, with the discounted amount being recognised directly in equity.

Reserves relate to the accumulated loss in the period.

2 Accounting policies (continued)

Current and deferred income tax

Tax for the period comprises current and deferred tax.

No tax is currently payable based on the loss for the period. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled. Deferred tax is charged or credited in the profit or loss, except when it relates to items credited or charged in other comprehensive income directly to equity, in which case the deferred tax is also dealt with in other comprehensive income.

Changes in accounting policies and disclosure and Standards issued but not yet effective

All new standards and amendments to standards and interpretations effective for annual periods beginning on or after 1 July 2017 are not material to the Company and therefore not applied in preparing these financial statements. At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective.

Standard / Interpretation	Title	Effective date
IFRS 2 (Amendments)	Share Based Payment Transactions	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15 (Clarifications)	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019
Annual Improvements	Annual Improvements to IFRS 2014-2016 Cycle	1 January 2018
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	* 1 January 2019
IAS 28 (Amendments)	Long-Term Interests in Associates and Joint Ventures	* 1 January 2019
Annual Improvements	Annual Improvements to IFRS 2015-2017 Cycle	* 1 January 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement	* 1 January 2019

* Subject to EU endorsement. The Group and Company are evaluating the impact of the new and amended standards above. The Directors do not expect that these new and amended standards will have a material impact on the Group's and Company's results or shareholders' funds.

3 Risk Management

Financial Risk Management

Financial risk is managed at group level. The main financial risks facing the Company are the availability of adequate funding and fluctuations in foreign exchange rates. Constant monitoring of these risks ensures that the Company is protected against any potential adverse effects of such risks so far as it is possible and foreseeable. The Company does not hold derivatives, does not trade in financial instruments and does not engage in hedging arrangements.

The future operations of the Company depend on continued funding from the parent company and development of the trade in the subsidiary companies. Management monitors its cash and future funding requirements through the use of ongoing cash flow forecasts. The Company's liquidity risk is considered to be insignificant.

As the Company operates internationally, it is exposed to foreign exchange risk, primarily with respect to the Euro. The Company does not hedge its exposure to foreign exchange risk although the amount of cash which is maintained in foreign currency is limited to the immediate working capital requirements in order to limit the exposure as far as possible.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers. The Company does not have any material credit risk exposure to any single receivable or group receivable under financial instruments entered into by the Company.

Capital Risk Management

Capital risk is managed at group level. The main objective of the capital risk management policy is to safeguard the Company's going concern status.

4 Critical accounting estimates and judgements

In applying of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

There are no critical judgements that the directors have made in the process of applying the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The Company has identified the following area where management estimates and assumptions have been applied:

The Company holds intercompany loans (both payable and receivable) with other Group companies. Where applicable these loans are held at amortised cost using an effective, implied interest rate of 10%. The directors have assessed this rate to be reasonable based on other interest rates within the Group. A 1% movement in the interest rate used would have a £7,000 impact on the net assets in the financial statements.

5 Revenue

Revenue in the year comprises management charges to the two subsidiary companies, MGC Pharmaceuticals d.o.o and MGC Derma d.o.o. All revenue arose in Europe.

6 Expenses by nature

	2018	2017
	£	£
Corporate costs	130,658	-
Professional services costs	80,644	74,030
Consultancy costs	131,686	239,880
Directors' fees	56,230	48,230
Travel costs	34,323	61,955
Other expenses	88,333	18,967
Total general and administrative costs	521,874	443,062

7 Auditor Remuneration

	2018	2017
	£	£
Fees payable for the audit of the Company's financial statements	25,000	23,000

8 Staff costs

	2018	2017
The average monthly number of employees (including directors) employed by the Company was:	4	4

	2018	2017
	£	£
Aggregate remuneration (including directors)		
Directors' fees	56,230	48,230
	56,230	48,230

9 Finance income

	2018	2017
	£	£
Interest income on loans to related parties	75,809	49,186

10 Taxation

	2018	2017
	£	£
Current tax	-	-
Deferred tax	-	-
Income tax	-	-

Income tax can be reconciled to the loss in the income statement as follows:

	2018	2017
	£	£
Profit / (loss) before taxation	86,500	(107,592)
Tax at the UK corporation tax rate of 19% (2017: 19%)	16,435	(20,442)
Tax losses for which no deferred tax asset was recognised	-	20,442
Losses relieved against profits	(16,435)	-
Income tax	-	-

The Company did not recognise a deferred income tax asset in respect of UK losses. These losses can be carried forward and used against future taxable income. There are trading losses of approximately £332,945 (2017: £349,359) available to be carried forward for tax purposes. No deferred tax asset has been recognised due to uncertainty over when profits will be available against which these losses can be utilised.

11 Investments

	2018	2017
	£	£
Investment in group undertakings		
Beginning of the year	880,574	129,614
Additions	-	750,964
Impairment		-
	880,574	880,574
Other Investments		
Beginning of the year	-	17,595
Additions	-	-
Impairment	-	(17,595)
	-	-
Investments	880,574	880,574

11 Investments (continued)

Investment in Group Undertakings:	Principal activity:	Country of Incorporation	2018 Share - holding	2018 £	2017 Share - holding	2017 £
MGC Pharmaceuticals d.o.o	Licensing for growing and selling of cannabidiol products for use in medicinal cannabis products	Slovenia	100%	254,443		254,443
MGC Derma d.o.o.	Sale of medicinal cannabis products	Slovenia	51%	18,535		18,535
Panax s.r.o.	Research in collaboration with the Institution of Experimental Botany at the Academy of Botanical Sciences	Czech Republic	80%	607,596		607,596
				880,574		880,574

Investment in group undertakings include amounts of £248,647 (2017: £248,647) in MGC Pharmaceuticals d.o.o. in relation to the initial recognition difference of the non-current intercompany receivable (refer note 12).

Included in the investment in Panax Pharma s.r.o. is an amount of £126,409 (2017: £505,670), representing contingent consideration payable as part of the agreement to acquire the 80% interest (refer note 14). For further information on the acquisition of the group undertakings, please refer to the MGC Pharmaceuticals Limited Group financial statements.

12 Receivables

	2018 £	2017 £
Non-current		
Intercompany receivables	3,746,179	1,977,503
	3,746,179	1,977,503
Current		
Other receivables	21,459	21,798
	21,459	21,798

The non-current intercompany receivables comprise advances made to both MGC Pharmaceuticals d.o.o. and MGC Derma d.o.o.

The receivable due from MGC Derma d.o.o. is incurring interest at a rate of 10% per annum and is repayable on 1 July 2019.

The receivable from MGC Pharmaceuticals d.o.o. is interest free and repayable on 1 July 2019. This loan is held at amortised cost using the effective interest rate of 10%. An amount of £248,647 (2017: £248,647) has been recognised in investments in this respect.

13 Trade and other payables

	2018	2017
	£	£
Non-current		
Intercompany payables	4,140,845	2,210,249
	4,140,845	2,210,249
Current		
Accruals	47,957	30,100
Other payables	390	12,755
	48,347	42,855

The non-current intercompany payable comprises an interest free loan from the parent company MGC Pharmaceuticals Limited. The loan is held at amortised cost at an effective interest rate of 10% repayable on repayment of the intercompany receivables. The adjustment in respect of the effective interest rate of £131,149 (2017: £487,119) has been recognised in equity as a capital contribution.

14 Contingent consideration

	2018	2017
	£	£
Current		
Contingent consideration	126,409	505,670
	126,409	505,670

During the prior year the Company entered into agreement to acquire 80% Panax Pharma s.r.o. for a commitment to expend €700,000 on operations. As at 30 June 2018, the Company had provided funding to Panax Pharma s.r.o. of £481,186, leaving further consideration payable as per the agreement of £126,409.

15 Share capital

	Number of shares in issue	Share capital	Total
		£	£
Ordinary shares of £1			
Balance as at 1 July 2016	10	10	10
Shares issued during the year	-	-	-
Balance at 30 June 2017	10	10	10
Shares issued during the year	-	-	-
Balance at 30 June 2018	10	10	10

The Company has one class of Ordinary share which carries no right to fixed income.

16 Operating cashflow

Reconciliation of Cash Flows from Operations with loss for the year / period	2018	2017
	£	£
Profit / (loss) for the year / period	86,500	(107,592)
Adjustments for:		
Non-cash flows in loss for the year		
Interest income accrual from group borrowings	(75,809)	(49,186)
Intercompany management fee accrual	(507,350)	(240,000)
Depreciation and impairment	399	18,354
Foreign exchange movement	(25,614)	(64,638)
Changes in working capital:		
Increase in trade and other receivables	339	(1,550)
Increase/ (decrease) in trade and other payables	5,492	(56,726)
Cash used in operating activities	(516,043)	(501,338)

17 Related party disclosures

Remuneration of directors and key management personnel (all benefits are short term benefits)

	2018	Outstanding at year end	2017	Outstanding at year end
	£	£	£	£
Mr Nativ Segev	11,830	-	12,285	-
Mr Roby Zomer	11,830	-	12,285	-
Mr Brett Mitchell	11,830	-	11,830	-
Mr Anthony Eastman	20,740	-	11,830	-
	56,230	-	48,230	-

Other related party transactions

As at 30 June 2018 the amount owed to the parent company, MGC Pharmaceuticals Limited, was £4,759,325 (2017: £2,697,368) in respect of a working capital loan to the Company. The loan is interest free and is repayable on 31 December 2018, upon repayment of the loans from the subsidiary undertakings.

The Company also issued working capital loans to its two subsidiaries. As at 30 June 2018, the amount due from MGC Pharmaceuticals d.o.o. was £2,300,852 (2017: £1,376,853). The loan is interest free with a due date of 31 December 2018.

As at 30 June 2018, the amount due from MGC Derma d.o.o. was £1,693,973 (2017: £849,296). Interest on the loan is charged at 10% per annum and the loan is repayable on 31 December 2018.

17 Related party disclosures (continued)

The Company charged management fees of £120,000 to MGC Pharmaceuticals d.o.o. (2017: £120,000), £300,000 to MGC Derma d.o.o (2017: £120,000) and £87,350 to parent company, MGC Pharmaceuticals Limited (2017: £nil). These amounts along with the 2017 amounts are outstanding as at 30 June 2018.

As at 30 June 2018, Dr M Burnstein, owner of 49% of MGC Derma d.o.o. owed the Company £17,808 (2017: £17,808) in respect of the share capital of MGC Derma d.o.o. Subsequent to year end, the company acquired the remaining 49% of MGC Derma d.o.o. from Dr M Burstein, which resulted in the receivable from Dr M Burstein in respect of the share capital of MGC Derma d.o.o. being reclassed as investment in MGC Derma d.o.o.

18 Control

The ultimate controlling party of the Company is MGC Pharmaceuticals Limited who own 100% of the Company and is incorporated in Australia. The Annual Report for MGC Pharmaceuticals Limited is available on their website, www.mgcpharma.com.au.

19 Post balance sheet events

On 2 August 2018 the Company acquired 49% of the share capital of MGC Derma d.o.o from Dr M Burstein for a consideration of €23,200.

On the 29 January 2019 the company sold MGC Derma d.o.o. to Cannaglobal Canada Co Inc, for which it received a 10% stake in Cannaglobal.