

Registered number: 11537452

CELLULAR GOODS PLC
(formerly Leaf Studios PLC)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021



CELLULAR GOODS PLC

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CELLULAR GOODS PLC

COMPANY INFORMATION

Registered number	11537452
Registered office	9th floor 16 Great Queen Street London WC2B 5DG
Directors	Peter Wall (Chairman) Alexis Abraham Eric Chang Simon Walters Darcy Taylor Ross Connolly David Gardner
Company Secretary	Simon Walters
Independent Auditor	PKF Littlejohn LLP (Statutory Auditor) 15 Westferry Circus Canary Wharf London E14 4HD
Solicitors	Fladgate LLP 9th floor 16 Great Queen Street London WC2B 5DG

CELLULAR GOODS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2021

Introduction

I am delighted to report the first set of full-year results for Cellular Goods since its debut on the main market of the LSE on 26 February 2021. These results, covering only six months of activities as a listed plc, come at an exciting time with the launch of our inaugural range of consumer products earlier this week.

During the year under review, the management team focused on developing a business strategy and raising capital to fund the expansion of the Company. A major milestone was achieved with the flotation, which raised additional capital of £13m before expenses and sparked unprecedented public interest in an initial public offering of our size. The IPO was significantly oversubscribed and share allocations were scaled down to maximise the opportunity for small investors to become shareholders in Cellular Goods.

No revenue was generated during the year and a loss before tax of £3.3m was incurred (2020: £0.33m loss), reflecting start-up costs, expenses relating to our IPO as well as a £0.9m one-off non-cash cost relating to share-based incentives provided mainly to management and staff.

Since the IPO, the Company has made excellent progress to create a trusted new British consumer wellness brand incorporating lab-made cannabinoids, which are legally compliant, independently tested for quality, environmentally friendly, and not tested on animals. Our inaugural range comprising skincare and ingestibles was launched on 1 December 2021.

I would therefore like to congratulate the executive management team and the operational staff, our suppliers and partners for their hard work, which has laid a strong foundation for strong growth in the years ahead.

Beyond the immediate focus on the first skincare and ingestibles products, the Company is also making good progress with the development of its next vertical, a 'movement range' aimed at the after-sports market. We anticipate this will be ready for consumer launch in 2022.

With a clear product roadmap, Cellular Goods is set to enter its most important and exciting phase of growth and start generating revenues from skincare and ingestibles in the current financial year and from the 'movement' products next year.

Going forward, the Company's biggest challenge is to continue executing well on its long-term strategic goals that will require ongoing investment in the business and in people. Total staff numbers have increased considerably since the listing in February. We also have a strong balance sheet to fund this growth with net cash of £9.15m as at 1 December.

I would also like to thank our many shareholders for their support and patience while we scaled-up our activities in the run-up to the product launch.

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2021
(CONTINUED)

Strategy and Operational Review

According to BDS Analytics and Arcview Market Research, the market for annual CBD sales in the USA will surpass \$20 billion by 2024. Meanwhile, the Centre for Medicinal Cannabis estimated that 1.3 million British consumers were using CBD products, the market was growing at double digits annually, and could be worth almost £1bn a year by 2025.

The strong industry growth prospects, together with the wide disparity in the quality and consistency of products currently on the market, has opened an opportunity for a supplier of premium cannabinoid-based products with known and verifiable provenance to differentiate itself in the market.

Cellular Goods was established to address this market gap by developing premium quality, efficacy-led and research-backed cannabinoid products which leverage lab-made cannabinoids such as CBD and CBG. The manufacture of the Company's product is outsourced to partners and does not involve the cultivation or

Operational review

Solid progress was made in the second half of the year as the Company pivoted from business planning and fund-raising to the development and launch of its first products to tight timescales. The initial focus is on three product verticals: a premium CBG skincare range and CBD-based ingestibles this year followed by topical athletic recovery products in 2022.

The inaugural skincare range comprises a face oil, an after-shave moisturiser, and a serum. Their creation and development involved taking each product from concept and prototype to preparing proprietary formulations followed by extensive testing to validate their efficacy. These formulations incorporate biosynthetic CBG (cannabigerol) which has demonstrated anti-inflammatory, anti-oxidant and anti-microbial properties.

After several months of extensive development in-house and at our UK-based contract manufacturer, the formulations were finalised in July. This was followed by a rigorous testing process focusing on product quality, stability, and compatibility with packaging.

All three skincare products have been fully validated for marketing and labelling as:

- *Suitable for sensitive skin*
- *Dermatologist approved*
- *Dermatologically tested*

The completion of branding and packaging design led by creative director, Sara Hemming, for both the skincare and ingestible lines was a further significant milestone to be reached, with designs being approved for compliance in time for the launch.

CELLULAR GOODS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Successful product launch

As a result of the excellent progress described above, the inaugural range of skincare products and ingestibles was launched on 1 December 2021, via the Company's online ecommerce platform.

Customer order intake for the face oil and after shave moisturiser have now commenced, and will be followed by the skincare serum by the end of Q2 2022.

As announced on 16 August 2021, a multi-year manufacture and supply agreement was signed with Chanelle McCoy Health Ltd (CMH) for the launch of an ingestibles range of clinically-validated products. These were unveiled at the same time as the skincare range. The agreement enabled Cellular Goods to bring forward the introduction of a complementary wellness product range by more than a year. CMH is a research-led developer of high quality ultra-pure CBD products that are fully compliant with the new novel food regime which came into force in the UK and EU earlier this year.

In June 2021 a multi-year supply agreement was signed with Willow Biosciences (Willow), securing long-term supply of proprietary, ultra-pure, biosynthetic CBG for use in the Company's skincare products

Marketing and Product Development

Both the skincare and ingestible products are on sale initially in the UK, direct to consumers through the Company's website. This enables the Company to prioritise its marketing on channels that generate the greatest customer engagement and return on investment. A comprehensive omni-channel marketing campaign will commence in February 2022 to support our sales drive, in-line with industry best-practice whereby new beauty and wellness products typically go on sale early in the year to coincide with consumers' focus on self-care and forming positive habits. The timing will also avoid the hyper competitive pre-Christmas rush where return on advertising spend is poor for new entrants.

As part of the ongoing product development for the skincare range, the Company has also begun the next phase of testing which will include the gold standard user trial/consumer panel testing, in addition to a combination of quantitative and qualitative efficacy-based studies for its skincare products. Separately, travel sizes and sampling sachets are also being finalised to expand the range of skincare offerings and gifting options for Cellular Goods customers for next year.

Development of the first three products in the movement range for sports recovery and daily body maintenance continues. The criteria for clinical trials have also been finalised and the trials will be initiated next year on completion of stability and compatibility testing.

The Company continues to evaluate potential partnership opportunities to sell its products via third party online retailers and traditional brick-and-mortar outlets who will contribute to broaden exposure, consumer recognition and acceptance.

Further to the multi-year supply agreement with Chanelle McCoy Health, the Company is currently working with two leading cannabinoid producers including Willow and has volume supply agreements in place to ensure security of supply of cannabinoids including CBD and CBG. The producers have experience and expertise in the manufacture of pharmaceutical grade cannabinoid compounds through lab-based processes, thereby securing a consistent supply of legally compliant raw materials that are not derived from plant material.

CELLULAR GOODS PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

In April 2021, the Company strengthened its operational capability with the appointment of Istok Nahtigal as the head of process and applied sciences with responsibility for developing, monitoring and optimising the Company's relationships with its manufacturing partners. Further senior hires were made to strengthen the product development team and support quality assurance and project delivery including Jodie Sanders, commercial and partnerships director, and Sean O'Dwyer, marketing director, who joined the Company in August and September 2021 respectively.

In addition, the Company has also significantly increased investment in its marketing and brand management resources with a roster of consumer product agencies for digital advertising, content marketing and sales promotion including Cream, Rakuten, Climb Online and Numberly. Similarly, Good Culture has been appointed as the consumer public relations agency to drive brand and product awareness for the launch of the Company's skincare and ingestible product range.

Outlook

With the launch of its first products, Cellular Goods has entered its most important and exciting phase of growth and has started generating revenues in the current financial year. Excellent progress is being made across the business, and the Company is well-placed to benefit from strong industry fundamentals which are being driven by growing public acceptance and scientific validation of the benefits of cannabinoids such as CBD and CBG.

The market for sustainable CBD and CBG-based consumer products is expected to grow massively over the long term and is in its early stages of mass adoption. Cellular Goods is well placed to ride this consumer mega- trend, which is being driven by changing attitudes to, and greater understanding of, the benefits of cannabinoids. As a result, the Board look forward to the future with great confidence and optimism.

Peter Wall

Chairman

3 December 2021

CELLULAR GOODS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The directors present their strategic report for the year ended 31 August 2021.

Principal activity

The Company's principal activity is establishing a premium high-quality, independently tested and compliant consumer cannabinoid business targeting the expanding but fragmented CBD sector.

Review of the business and future developments

Cellular Goods PLC was incorporated in August 2018 to develop efficacy-led and research-backed cannabinoid products. The initial focus is on three product verticals: premium skincare, high-purity ingestibles and topical athletic recovery products. These will be made available direct to consumers through the Company's website and potentially through online and physical retailers.

The Company's initial name of Leaf Studios PLC was changed to Cellular Goods PLC on 29 September 2020. The Company was incorporated as a private limited company and became a public company on 22 October 2018.

The Company was admitted to the London Stock Exchange's Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) on 26 February 2021, issuing 260 million new shares at a placing price of 5 pence to raise £13 million before expenses.

Performance of the business during the year and at the end of the year

The Company reported a loss of £3,336,501 for the year ended 31 August 2021 (2020: loss of £329,886). The loss was primarily a consequence of establishing a consumer cannabinoid business and seeking admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules).

Net assets of the Company at the year-end were £10,547,754 (2020: net liabilities £83,239).

Key Performance Indicators (KPIs)

The Board aims to monitor the activities and performance of the Company regularly. The Company has yet to commence sales and accordingly can only ensure that the current exercise in building the future business of the Company is progressing efficiently.

For now, the Directors consider that a KPI applicable to the Company is maintaining cash reserves held in cash and short-term investments.

	2021	2020
Cash at bank	£10,322,476	£9,224

CELLULAR GOODS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Principal risks and uncertainties

The Company's operations are at an early stage, with products that haven't yet launched, and the business is reliant on a small number of principal suppliers.

The Directors consider the principal risk for the Company to be the maintenance of its cash while it focuses on developing its consumer cannabinoid business.

The Company operates in an uncertain environment and is subject to a number of risk factors. The Directors *consider the risk factors in this report will be relevant to the Company's activities. It should be noted that the list is not exhaustive and other risk factors not presently known or currently deemed immaterial may apply.*

As the Company expands its product range, the Company will consider its reliance on individual third parties, and will seek to take measures to minimise supplier risk and the resulting potential disruption to its business as appropriate to the business' stage of operations and development.

The Company's principal sources of synthetic CBG and CBD are imported, and therefore subject to import and export risk, *which may be exacerbated by the consignment being a cannabinoid.*

The production of synthetic CBD and CBG is relatively novel, and unexpected issues or quality control problems may arise.

The Company has partnered with a leading bio-synthetic CBG producer with experience and expertise in the synthesis of compounds. However, the synthesis of CBG remains relatively novel and so may be subject to unexpected issues, delays or quality control problems, which may adversely affect the Company's supply of high quality bio-synthetic CBG. Such disruption could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Acceptance and/or widespread use of CBD or CBG products containing these cannabinoids is uncertain. Furthermore, medical attitudes to cannabis-derived products are currently uncertain and may be subject to change.

The Company's business is dependent the services of a small management team and the loss of a key individual could have an adverse effect on the future of the Company's business. The Company's future success will also depend in large part upon its ability to attract and retain highly skilled personnel. This risk is managed by offering salaries that are competitive in the current market. In addition to the Board and employees, the Company utilises the expertise of consultants.

A breach with any environmental or regulatory requirements may give rise to reputational, financial of other sanctions against the Company, and therefore the Board considers these risks seriously and designs, maintains and reviews the policies and processes so as to mitigate or avoid these risks. The Board has a good record of compliance, but there is no assurance that the Company's activities will always be compliant.

CELLULAR GOODS PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172(1) of the Companies Act 2006.

The requirements of s172(1) are for the Directors to:

- Consider the likely consequences of any decision in the long term
- Act fairly between the members of the Company
- Maintain a reputation for high standards of business conduct
- Consider the interests of the Company's employees
- Foster the Company's relationships with suppliers, customers and others, and
- Consider the impact of the Company's operations on the community and the environment.

The Company is creating a new range of products for sale in what we believe is a fast-growing but developing environment, and is dependent on the support of as-yet-unknown consumers for its future success. The start-up nature of the business is understood by the Company's directors, employees and suppliers.

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during the year:

- From indicative shareholder interest exceeding £100m, we secured gross proceeds of £13m through our listing on the Main Market of the London Stock Exchange on 26 February 2021
- Secured a cornerstone investment from the commercial vehicle for David Beckham, giving our brand instant recognition and credibility
- Hired key executives for commercial partnerships and for marketing

As a company with a growing social following and the imminent launch of a range of cannabinoid products, the board takes seriously its ethical responsibilities to the communities and the environment in which it works.

This strategic report was approved by the board on 3 December 2021 and signed on its behalf by

Alexis Abraham

Chief Executive Officer



CELLULAR GOODS PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2021

The Directors present the Annual Report and the audited financial statements for the year ended 31 August 2021.

Principal activities

The Company is establishing a biosynthetic CBD retail business and was admitted to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and trading on the London Stock Exchange on 26 February 2021. The Company is incorporated in England and Wales.

Directors

The Directors of the Company during the year ended 31 August 2021 and to the date of this report were:

Peter Wall (appointed 3 December 2019)

Alexis Abraham (appointed 3 December 2019)

Eric Chang (appointed 3 December 2019)

Simon Walters (appointed 9 November 2020)

Darcy Taylor (appointed 18 February 2020)

David Gardner (appointed 28 January 2021)

Ross Connolly (appointed 28 January 2021)

Timothy Le Druillenec (resigned 9 November 2020)

Events after the reporting date

The Company issued options over 700,000 ordinary shares of £0.001 each on 28 October 2021, more details of which are included in the notes to the financial statements.

Future developments

See the Strategic Report for anticipated future developments of the Company.

Dividends

The Directors do not propose a dividend in respect of the year ended 31 August 2021 (2020: nil).

Corporate governance

As a Company listed on the standard segment of the Official UK Listing Authority, the Company was not required to comply with the provisions of the UK Corporate Governance Code.

The Company does not choose to voluntarily comply with the UK Corporate Governance Code. The Directors are responsible for internal control in the Company and for reviewing effectiveness. Due to the size of the Company, all key decisions are made by the Board. The Directors have reviewed the effectiveness of the Company's systems during the year under review and consider that there have been no material losses, contingencies or uncertainties due to weaknesses in the controls. The Company will comply with the Quoted Company Alliance Code insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Carbon and greenhouse gas emissions

The Company currently has no sales revenue, relatively few employees (other than the Directors) and uses rented offices. Therefore, the Company has minimal carbon emissions and it is not practical to obtain emissions data at this stage. The Company consumed less than 40,000 KWh of energy in the United Kingdom and is currently exempt from the requirement to disclose its greenhouse gas and other emission producing sources under the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2014.

Going concern

The Directors, having made due and careful enquiry, are of the opinion that the Company has adequate working capital to meet its obligations over the next 12 months. The Directors therefore have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

Employees

The Company is in early stages of development and the Directors are focusing on attracting and retaining key personnel to drive the Company forward. As at 31 August 2021, the Company utilised the expertise of the Directors, three employees in Canada, one employee in the UK, and various external contractors. Subsequent to the year-end, the Company has engaged a further senior employee in the UK.

Financial risk management

The Company has a simple capital structure and its principal financial asset is cash. The Company's market risk is limited to price risk, primarily for the costs of operating a retail biosynthetic CBD business. The Directors manage the Company's exposure to liquidity risk by maintaining adequate cash reserves and ensuring any debt financing is at a competitive interest rate which can be maintained within the Company's cash resources going forward.

Further details regarding risks are detailed in the notes to the financial statements.

Provision of information to auditor

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 Company's auditor is aware of that information.

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Auditors

PKF Littlejohn LLP, the auditors, have indicated their willingness to continue in office as auditors. PKF Littlejohn LLP will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

Approved by the Board on 3 December 2021, and signed on its behalf by:

Simon Walters
Director

A handwritten signature in black ink, appearing to read 'S. Walters', with a stylized flourish at the end.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 AUGUST 2021

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 period. Under that law the directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the Companies Act 2006 and as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. 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 Group and the Company and of the profit or loss of the Group and Company for that year.

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;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the requirements of the Companies Act 2006 and, as regards the Group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4 (Disclosure and Transparency Rules)

The directors confirm to the best of their knowledge and belief:

- The financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company; and
- The annual report includes a fair review of the development and performance of the business and financial position of the Group and Company, together with a description of the principal risks and uncertainties.

On behalf of the board.

Peter Wall

Chairman

3 December 2021

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2021

This remuneration report sets out the Company's policy on the remuneration of executive and non-executive Directors together with details of Directors' remuneration packages and service contracts for the year ended 31 August 2021. Due to the size of the Board and the early-stage of the Company's listing, an independent remuneration committee is not considered appropriate. The Company did not appoint any third-party advisers in relation to directors' remuneration.

The items included in this report are unaudited unless otherwise stated.

Remuneration policy

In setting the policy, the Board has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the Company
- The Company's general aim of seeking to reward all employees fairly according to the nature of their respective roles and performance
- Remuneration packages offered by similar companies within similar sectors
- The need to align the interests of shareholders as a whole with the long-term growth of the Company; and
- The need to be flexible and adjust with operational changes throughout the term of this policy

Current and future policy

Executive directors are paid monthly and have received no increases since appointment. Any increases will be decided upon by the full board (with each director recusing himself where appropriate) and will be based on comparisons with other companies of a similar size and sector.

UK-based executive directors are entitled to participate in the company's auto-enrolment pension scheme if they wish. No directors receive any benefits for life insurance, accidental death or critical illness cover, hospital fees, dental care or similar. No director has any entitlement to a company car, fuel allowance, or equivalent benefits.

The Directors are reimbursed by the Company for any travel, hotel or other expenses that they occur in connection with the discharge of their duties.

Non-executive directors may be entitled to remuneration based on recommendations of the Chairman and comparisons with other companies of a similar size in a similar sector. Two of the three non-executive directors do not receive any remuneration.

No directors have received bonuses and any eventual bonuses will be decided upon by the full board with each director recusing himself from discussions about his bonus.

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DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Directors' remuneration (audited)

Details of the directors' remuneration during the year ended 31 August 2021 are as follows:

Director	Salary and fees	Benefits- in-kind	Pension contributions	2021 Total	2020 Total
	£	£	£	£	£
Alexis Abraham	132,000	-	-	132,000	67,500
Eric Chang	119,000	-	-	119,000	32,000
Simon Walters	85,952	-	659	86,611	-
Timothy Le Druillenec (resigned 20 Nov 2020)	17,250	-	-	17,250	22,000
Non-executive directors					
Peter Wall	28,000	-	-	28,000	-
Darcy Taylor	15,000	-	-	15,000	-
Ross Connolly	-	-	-	-	-
David Gardner	-	-	-	-	-
Total	397,202	-	659	397,861	121,500

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Service agreements and Letters of Appointment

Under a letter of appointment with Peter Wall dated 1 February 2021, Mr Wall was appointed as non-executive chairman of the Company. He receives an annual fee of £48,000, payable monthly in arrears. Mr Wall is expected to devote at least two days a month to perform his duties for the Company. The appointment is for an initial term of 24 months and is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Wall is in material breach of the terms of the appointment.

Alexis Abraham initially worked under a consultancy agreement dated 1 October 2020, providing services at a daily rate of £500, capped at £12,000 per month. The consultancy agreement was replaced by a service agreement dated 7 February 2021 under which Mr Abraham fulfils the role of chief executive officer for an annual salary of £144,000, monthly in arrears. The appointment is for an indefinite term and is terminable on six months' prior notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Abraham is in material breach of the terms of the appointment. Mr Abraham has agreed to post-termination restrictive covenants that are typical for a person of his seniority.

Under a consultancy agreement dated 1 October 2020, Eric Chang initially provided services to the Company as chief operating officer for a daily rate of £500. Following Admission this fee increased to £12,000 per month, payable in arrears. The appointment is for an indefinite term and is terminable on six months' prior notice on either side. No compensation is payable for loss of office and the engagement may be terminated immediately if, among other things, Mr Chang is in material breach of the terms of the appointment. Mr Chang has agreed to post-termination restrictive covenants that are typical for a person of his seniority.

Simon Walters was appointed as finance director under a service agreement dated 10 February 2021, for an annual salary of £120,000, payable monthly in arrears. The appointment is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Walters is in material breach of the terms of the appointment. Mr Walters has agreed to post-termination restrictive covenants that are typical for a person of his seniority. From Admission the agreement replaced an agreement with Headline FD Limited (of which Mr Walters is majority-owner) dated 9 November 2020 under which support services, including his work, were provided to the Company at varying monthly costs.

Under a letter of appointment with Darcy Taylor dated 18 February 2020, conditional upon Admission, he was appointed as a non-executive director of the Company for an annual fee of £30,000, payable monthly in arrears. The appointment is for an initial term of 24 months and is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Mr Taylor is in material breach of the terms of the appointment.

Ross Connolly confirmed the terms of his appointment as a non-executive director of the Company in a letter dated 4 February 2021. Mr Connolly is not entitled to a fee and no compensation is payable for loss of office. The appointment may be terminated in accordance with the terms of an investment agreement with DB Ventures Limited and otherwise on three months' notice.

The terms of the appointment of David Gardner as a non-executive director of the Company were set out in a letter dated 4 February 2021. Mr Gardner is not entitled to a fee and no compensation is payable for loss of office. The appointment may be terminated in accordance with the terms of an investment agreement with DB Ventures Limited and otherwise on three months' notice.

CELLULAR GOODS PLC

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Share warrants

Directors hold warrants to subscribe for Ordinary shares in the company in the future, as shown in the table below.

	At 1p each	At 5p each
Peter Wall	2,500,000	2,000,000
Alexis Abraham	2,500,000	2,500,000
Eric Chang	2,500,000	2,000,000
Simon Walters	1,500,000	1,000,000
Darcy Taylor	1,500,000	1,000,000
David Gardner	1,500,000	1,000,000
Ross Connolly	1,500,000	1,000,000

The warrants at 1p per share vested on Admission to Listing on 26 February 2021, have an exercise period of up to two years from that date, and any shares arising before 26 February 2022 are subject to a lock-in to that date, being 12 months from Admission.

The warrants at 5p per share, being the placing price in Admission, vested 25% on Admission and thereafter in 25% tranches every six months. They have an exercise period to 26 February 2024, being three years from Admission, and any Ordinary shares arising from exercise prior to 26 February 2022 are subject to a lock-in to that date.

Share options

No directors hold options to subscribe for Ordinary shares in the Company. There is no current pool of options.

Statement of directors' shareholdings

The Directors who held office at 31 August 2021 and their respective beneficial interests in the Ordinary shares of the Company at the year-end were:

	Ordinary shares	Percentage of issued share capital
Peter Wall	1,000,000	0.2%
Alexis Abraham	18,500,000	3.7%
Eric Chang	5,800,000	1.1%
Simon Walters	-	-
Darcy Taylor	-	-
David Gardner	2,300,000	0.5%
Ross Connolly	2,500,000	0.5%

DIRECTORS' REMUNERATION REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Corporate Governance Statement

The Company intends to comply with the provisions of the Corporate Governance Code published by the Quoted Companies Alliance (QCA Corporate Governance Code) insofar as is appropriate having regard to the size and nature of the Company and the size and composition of the Board.

The Company's Standard Listing means that it is also not required to comply with those provisions of the Listing Rules which only apply to companies on the Premium List. The FCA will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply. However, the FCA would be able to impose sanctions for non-compliance where the statements in this Prospectus are themselves misleading, false or deceptive.

The Board will report on the ten principles of the QCA Corporate Governance Code in future annual reports.

Other matters

The Company does not have an annual or long-term incentive scheme in place for any of the Directors and as such there are no disclosures in this respect.

This report was approved by the board on 3 December 2021 and signed on its behalf by:

Alexis Abraham
Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021

Opinion

We have audited the financial statements of Cellular Goods Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and as regard to the group financial statements, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 group and parent 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 as applied to listed public interest entities, 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.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- an assessment of management's assumptions in modelling future financial performance and cash flow requirements, including consideration of future plans and ensuring any commitments are reflected therein;
- checking the mathematical accuracy of the spreadsheet used to model future financial performance and cash flow requirements; and
- assessing whether management has adequately disclosed any conditions which may cast significant doubt on the ability of the group and company to continue as a going concern in the financial statements.

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

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

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed or influenced.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining our overall audit strategy, we assessed the level of uncorrected misstatements that would be material for the financial statements as a whole.

We determined the group and parent company materiality for the financial statements as a whole to be £55,800 and £55,000 (2020: £13,000) respectively, calculated at 1.5% of total expenses. We consider total expenses to be an appropriate benchmark for a start-up group and parent company with no earned revenue during the year. Performance materiality was set at 70% of overall materiality for the group and parent company at £39,060 and £38,500 (2020: £9,750) respectively, whilst the threshold for reporting unadjusted differences to those charged with governance was set at £2,790 for the group and £2,750 for the parent company. We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

The component materiality was set at group performance materiality.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas involving significant accounting estimates and judgement by the directors and considered future events that are inherently uncertain such as the valuation of share based payments. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud. The component was audited by the group audit team for consolidation purposes.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Valuation of Share-Based Payments (refer to note 17)	
<p>The company granted warrants to certain directors, employees and advisors during the year. As the warrants are not subject to any performance conditions, they have been valued using the Black-Scholes pricing model.</p> <p>As with any valuation model, a degree of judgement is required regarding the key inputs into the model, including expected share price growth, share price volatility, dividend yield and date of exercise.</p> <p>There is a risk that the pricing model used is not in accordance with IFRS 2, and that the inputs used within the model are not appropriate, resulting in the accounting entries relating to share-based payment transactions being materially misstated.</p>	<p>Our audit work in this area included:</p> <ul style="list-style-type: none"> • Obtaining and reviewing the warrant agreements and understanding the key terms therein; • Review the inputs used for the Black-Scholes valuation to ensure these are reasonable, with an emphasis on the volatility rate applied in the calculation; • Re-performing the share-based payment valuation calculation to ensure it is mathematically correct; and • Check the accounting treatment and associated disclosures are in accordance with IFRS 2. <p>The Directors' judgements in the assumptions applied in the valuation model were concluded as reasonable.</p>

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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 group and parent company 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 group and parent company financial statements, the directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector.
- We determined the principal laws and regulations currently relevant to the group and parent company in this regard to be those arising from FCA Rules, London Stock Exchange Rules, Disclosure and Transparency Rules and international accounting standards.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to enquiries of management and review of minutes and legal correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the estimates, judgements and assumptions applied by management in their valuation of share based payments and we addressed this by challenging the assumptions and judgements made by management.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

Other matters which we are required to address

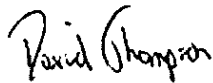
We were appointed by Board of Directors on 24 August 2021 to audit the financial statements for the year ended 31 August 2021 and subsequent financial periods. Our total uninterrupted period of engagement is two years, covering the years ended 31 August 2020 and 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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.



David Thompson (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

3 December 2021

CELLULAR GOODS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2021

		2021	2020
	Note	£	£
Administrative expenses		<u>(3,334,439)</u>	<u>(329,949)</u>
Operating loss	5	(3,334,439)	(329,949)
Finance income		<u>522</u>	<u>63</u>
Loss before taxation		(3,333,917)	(329,886)
Corporation tax	9	<u>-</u>	<u>-</u>
Loss for the year		(3,333,917)	(329,886)
Other comprehensive loss		<u>(2,584)</u>	<u>-</u>
Total comprehensive loss for the year		(3,336,501)	(329,886)
Earnings per share			
Basic earnings per share - continuing and total operations	10	<u>(0.962p)</u>	<u>(1.515p)</u>

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

The Accounting Policies and notes on pages 29-40 form part of these consolidated financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent company Statement of Comprehensive Income.

The loss of the parent company for the year was £3,334,439 (2020: loss of £329,886).

CELLULAR GOODS PLC
REGISTERED NUMBER: 11537452

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2021

		Consolidated 2021	Consolidated 2020	Company 2021	Company 2020
	Note	£	£	£	£
ASSETS					
Non-current assets					
Investment in subsidiaries	13	-	-	1	-
Current assets					
Cash and cash equivalents		10,322,476	9,224	10,322,476	9,224
Inventory	14	57,178	-	57,178	-
Trade and other receivables	12	368,347	89,828	367,442	89,828
Total Assets		<u>10,748,001</u>	<u>99,052</u>	<u>10,747,096</u>	<u>99,052</u>
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	15	504,750	128,750	504,750	128,750
Share premium	15	12,490,601	195,025	12,490,601	195,025
Accumulated losses		(3,740,931)	(407,014)	(3,741,453)	(407,014)
Share-based payment reserve	17	1,295,918	-	1,295,918	-
Foreign translation reserve		(2,584)	-	-	-
Total Equity and Reserves		<u>10,547,754</u>	<u>(83,239)</u>	<u>10,549,816</u>	<u>(83,239)</u>
LIABILITIES					
Current Liabilities					
Trade and other payables	16	200,247	182,291	197,280	182,291
		<u>200,247</u>	<u>182,291</u>	<u>197,280</u>	<u>182,291</u>
Total Equity and Liabilities		<u>10,748,001</u>	<u>99,052</u>	<u>10,747,096</u>	<u>99,052</u>

The Accounting Policies and Notes on pages 29-40 form part of the financial statements

Consolidated and Company figures at 31 August 2020 are identical as the company's sole subsidiary was formed during the year ended 31 August 2021.

The consolidated and Company financial statements were approved and authorised for issue by the Board of Directors. Signed on behalf of the Board of Directors by:

Simon Walters
Director
3 December 2021



CELLULAR GOODS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 AUGUST 2021

	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2019	103,250	29,250	-	-	(77,128)	55,372
Total comprehensive loss for the year	-	-	-	-	(329,886)	(329,886)
Issue of ordinary shares (17/10/2019)	11,000	-	-	-	-	11,000
Issue of ordinary shares (24/10/2019)	13,500	116,775	-	-	-	130,275
Issue of ordinary shares (16/01/2020)	1,000	49,000	-	-	-	50,000
Total transactions with owners recognised in equity	25,500	165,775	-	-	-	191,275
As at 31 August 2020	128,750	195,025	-	-	(407,014)	(83,239)
	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2020	128,750	195,025	-	-	(407,014)	(83,239)
Loss for the year	-	-	-	-	(3,333,917)	(3,333,917)
Other comprehensive loss - items that may be reclassified to profit or loss	-	-	-	-	-	-
Exchange difference on translation	-	-	(2,584)	-	-	(2,584)
Total comprehensive loss for the year	-	-	(2,584)	-	(3,333,917)	(3,336,501)
Issue of ordinary shares (21/10/2020)	21,750	195,750	-	-	-	217,500
Issue of ordinary shares (27/11/2020)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (18/12/2020)	9,000	81,000	-	-	-	90,000
Issue of ordinary shares (12/01/2021)	30,000	270,000	-	-	-	300,000
Issue of ordinary shares (28/01/2021)	32,750	294,750	-	-	-	327,500
Issue of ordinary shares (01/02/2021)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (02/02/2021)	2,500	22,500	-	-	-	25,000
Issue of ordinary shares (26/02/2021)	260,000	12,740,000	-	-	-	13,000,000
Share issue costs	-	(1,099,849)	-	-	-	(1,099,849)
Share-based payments	-	(388,575)	-	1,295,918	-	907,343
Total transactions with owners recognised in equity	376,000	12,295,576	-	1,295,918	-	13,967,494
As at 31 August 2021	504,750	12,490,601	(2,584)	1,295,918	(3,740,931)	10,547,754

CELLULAR GOODS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY AS AT 31 AUGUST 2021

	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2019	103,250	29,250	-	-	(77,128)	55,372
Total comprehensive loss for the year	-	-	-	-	(329,886)	(329,886)
Issue of ordinary shares (17/10/2019)	11,000	-	-	-	-	11,000
Issue of ordinary shares (24/10/2019)	13,500	116,775	-	-	-	130,275
Issue of ordinary shares (16/01/2020)	1,000	49,000	-	-	-	50,000
Total transactions with owners recognised in equity	25,500	165,775	-	-	-	191,275
As at 31 August 2020	128,750	195,025	-	-	(407,014)	(83,239)

	Share capital	Share Premium	Foreign currency translation	Share-based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
As at 1 September 2020	128,750	195,025	-	-	(407,014)	(83,239)
Loss for the year	-	-	-	-	(3,334,439)	(3,334,439)
Other comprehensive loss - items that may be reclassified to profit or loss	-	-	-	-	-	-
Exchange difference on translation	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(3,334,439)	(3,334,439)
Issue of ordinary shares (21/10/2020)	21,750	195,750	-	-	-	217,500
Issue of ordinary shares (27/11/2020)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (18/12/2020)	9,000	81,000	-	-	-	90,000
Issue of ordinary shares (12/01/2021)	30,000	270,000	-	-	-	300,000
Issue of ordinary shares (28/01/2021)	32,750	294,750	-	-	-	327,500
Issue of ordinary shares (01/02/2021)	10,000	90,000	-	-	-	100,000
Issue of ordinary shares (02/02/2021)	2,500	22,500	-	-	-	25,000
Issue of ordinary shares (26/02/2021)	260,000	12,740,000	-	-	-	13,000,000
Share issue costs	-	(1,099,849)	-	-	-	(1,099,849)
Share-based payments	-	(388,575)	-	1,295,918	-	907,343
Total transactions with owners recognised in equity	376,000	12,295,576	-	1,295,918	-	13,967,494
As at 31 August 2021	504,750	12,490,601	-	1,295,918	(3,741,453)	10,549,816

CELLULAR GOODS PLC

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 AUGUST 2021

	Consolidated 2021 £	Consolidated 2020 £	Company 2021 £	Company 2020 £
Cash flows from operating activities				
Loss for the year	(3,333,917)	(329,886)	(3,334,439)	(329,886)
Share-based payment charge	907,343	-	907,343	-
Increase in inventory	(57,178)	-	(57,178)	-
Increase in debtors	(278,519)	(12,877)	(263,080)	(12,877)
Increase in creditors	17,956	156,041	456	156,041
Foreign exchange differences	(2,584)	-	-	-
Finance income	(522)	(63)	(522)	(63)
Net cash flow from operating activities	(2,747,421)	(186,785)	(2,747,421)	(186,785)
Cash flows from investing activities				
Finance income	522	63	522	63
Net cash flow from investing activities	522	63	522	63
Cash flows from financing activities				
Issue of ordinary shares, net of issue costs	13,060,151	191,275	13,060,151	191,275
Net cash generated from financing activities	13,060,151	191,275	13,060,151	191,275
Net increase in cash and cash equivalents	10,313,252	4,553	10,313,252	4,553
Cash and cash equivalents at beginning of year	9,224	4,671	9,224	4,671
Cash and cash equivalents at end of year	10,322,476	9,224	10,322,476	9,224

CELLULAR GOODS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021

1. General Information

The Company was incorporated in England and Wales on 25 August 2018 as Leaf Studios Limited, but subsequently re-registered as a public limited company and renamed as Leaf Studios PLC. On 29 September 2020, the Company's name was changed to Cellular Goods PLC.

The registered office is 9th Floor, 16 Great Queen Street, London, WC2B 5DG. The principal activity of the Company is establishing a biosynthetic CBD retail business. The Company gained admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listings Rules) and trading on the London Stock Exchange on 26 February 2021.

2. Accounting Policies

The Directors consider that in the proper preparation of the financial statements there were no critical or significant areas which required the use of accounting estimates and exercise of judgement by management while applying the Company's accounting policies, with the exception of share-based payment calculations.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The functional and presentational currency is UK Sterling (GBP).

2.1 Basis of preparation

These financial statements have been prepared in accordance with international financial reporting standards adopted pursuant to Regulation EC No.1606/2002 as it applies in the European Union and the Companies Act 2006. The financial statements have been prepared under the historical cost convention. There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

Amounts in the financial statements have been rounded to the nearest pound.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)

2. Accounting Policies (Continued)

2.2 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary as of 31 August 2021. The subsidiary has a reporting date of 31 August and is an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the entity. The subsidiary has been fully consolidated from the date on which control was transferred to the Group.

Inter-company transactions, unrealised gains and losses on intra-group transactions and balances between Group companies are eliminated on consolidation.

New and Revised Standards

There were no new and amended standards adopted for the first time which had a material impact on the Group or Company.

IFRS in issue but not applied in the current financial statements

The following IFRS and IFRIC Interpretations have been issued but have not been applied by the Company in preparing these financial statements, as they are not yet effective. The Company intends to adopt these standards and interpretations when they become effective, rather than adopt them early.

- IAS 1 amendments - classification of liabilities as current or non-current (effective: 1 January 2022)
- IFRS 3 amendments - Business Combinations (effective: 1 January 2022)
- IAS 16 amendments - Property, Plant and Equipment (effective: 1 January 2022)
- IAS 37 amendments - Provisions, Contingent Liabilities and Contingent Assets (effective: 1 January 2022)

The above standards are not expected to have a material impact on the Group or Company in future reporting periods and on foreseeable future transactions.

2.3 Going concern

The Directors have assessed the current financial position of the Group, along with future cash flow requirements, to determine whether the Group has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Group be considered a going concern. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

2.4 Capital risk management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure. The Company has no borrowings. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. The Company monitors capital on the basis of the total equity held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)

2. Accounting Policies (Continued)

2.5 Financial Instruments

Initial recognition

A financial asset or financial liability is recognised in the Statement of Financial Position of the Group when it arises or when the Group becomes part of the contractual terms of the financial instrument.

Classification

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

1. The asset is held within a business model whose objective is to collect contractual cash flows; and
2. The contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the EIR method include current borrowings and trade and other payables that are short term in nature.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

Derecognition

Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

A financial asset is derecognised when:

1. The rights to receive cash flows from the asset have expired, or
2. The company has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.6 Impairment

The Group recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Company expects to receive. Regarding trade receivables, the Company applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics.

At each balance sheet date, the Directors review the carrying amounts of the Company's investments, to determine whether there are any indications that those investments have suffered an impairment loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)

2. Accounting Policies (Continued)

2.7 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which entities operate ('the functional currency'). The financial statements are presented in Sterling, which is the parent company's functional and presentation currency. There has been no change in the functional currency during the current or preceding period.

(ii) Transactions and balances

Transactions in foreign currencies are translated into Sterling using monthly average exchange rates. This is permissible in this case as there are no significant fluctuations between the currencies with which the entity operates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the Statement of Financial Position date and any exchange differences arising are taken to profit or loss.

(iii) Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than GBP are translated into GBP upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into GBP at the closing rate at the reporting date. Income and expenses have been translated into GBP at the average rate over the reporting period. Exchange differences arising from significant foreign subsidiaries are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021 (CONTINUED)

2. Accounting Policies (Continued)

2.8 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

2.9 Taxation and deferred taxation

The income tax expense or income for the year is the tax payable on the current period's taxable income. This is based on the national income tax rate enacted or substantively enacted for each jurisdiction with any adjustment relating to tax payable in previous years and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Current tax credits arise from the UK legislation regarding the treatment of certain qualifying research and development costs, allowing for the surrender of tax losses attributable to such costs in return for a tax rebate.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applicable when the asset or liability crystallises based on current tax rates and laws that have been enacted or substantively enacted by the reporting date. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of temporary differences can be deducted. The carrying amount of deferred tax assets are reviewed at each reporting date.

2.10 Trade and other payables

Short-term creditors are measured at the transaction price. Other financial liabilities are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)**

2. Accounting Policies (Continued)

2.11 Trade and other receivables

Trade and other receivables are short-term financial assets due to the Company. Other receivables are recognised at the transaction's price when it is probable that economic benefit will flow to the Company.

2.12 Equity

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

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits with banks and other financial institutions, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.14 Inventory

Inventory is valued at the lower of cost and net realisable value. Cost is based on the purchase price of the manufactured products, materials, direct labour and transport costs. Net realisable value is based on the estimated selling price less estimated selling costs.

3. Segment information

During the year ended 31 August 2021, the Group generated no revenue.

Under IFRS 8 there is a requirement to show the profit or loss for each reportable segment and the total assets and total liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision-maker.

The Group has one operating segment, being the establishment and operation of a biosynthetic CBD retail business, therefore all IFRS 8 disclosures are incorporated within other notes to the financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)**

4. Critical accounting estimates and judgement

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

Estimating the fair value of share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant of share options and warrants. This estimate also requires determination of the most appropriate inputs into the valuation model including volatility and dividend yield, and making assumptions about them. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 17.

5. Expenses by nature

	2021	2020
	£	£
Legal and professional	325,496	178,062
Auditor's remuneration	81,000	5,000
FCA charges re listing	-	17,108
Directors' remuneration	379,952	121,500
Share-based payment charge	907,343	-
Consultancy	514,944	-
Advertising	830,225	-
Product research and development	133,366	-
Other expenses	162,113	8,279
	<u>3,334,439</u>	<u>329,949</u>

6. Auditor's remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor for the audit of the Group's and Company's annual financial statements	23,500	5,000
Fees payable to the Company's auditor for corporate finance services	57,500	-
	<u>81,000</u>	<u>5,000</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST
2021 (CONTINUED)**

7. Directors' remuneration

Directors' remuneration amounted to £397,861 during the year (2020: £121,500), none of which (2020: £85,000) remained outstanding at the year end. Detailed disclosure of Directors' remuneration is disclosed in the Directors' Remuneration Report.

8. Employees

The average number of employees for the group during the year was two, apart from the Directors (2020: nil).

	2021	2020
	£	£
Directors' remuneration	397,202	121,500
Wages and salaries	127,875	-
Social security costs	1,163	-
Pension	658	-
Share-based payments	546,616	-
	<u>1,073,514</u>	<u>121,500</u>

9. Taxation

The tax charge for the year was £Nil (2020 - £Nil). The company had tax losses at the year end of £2,595,503 (2020: £174,722).

	2021	2020
	£	£
Loss on ordinary activities before tax	(3,334,974)	(329,949)
Loss for year multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(633,645)	(62,678)
Effects of:		
Disallowable expenditure	173,598	30,684
Unutilised losses on which no deferred tax losses is required	460,047	31,994
Tax charge for the year	<u>-</u>	<u>-</u>

10. Earnings per share

	2021	2020
Loss attributable to equity holders of the Company	3,333,917	329,886
Weighted average number of Ordinary Shares in issue (number)	346,475,342	21,778,082
Basic earnings per share (pence per share)	(0.962p)	(1.515p)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021
(CONTINUED)**

11. Financial Instruments

	2021	2020	2021	2020
	£	£	£	£
Carrying amount of financial assets	Group	Group	Company	Company
Financial assets measured at amortised cost				
Trade and other receivables	905	75,000	-	75,000
Cash and cash equivalents	10,322,476	9,224	10,322,476	9,224
	<u>10,323,381</u>	<u>84,224</u>	<u>10,322,476</u>	<u>84,224</u>
Carrying amount of financial liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	200,247	182,291	197,280	182,291

12. Trade and other receivables

	2021	2020	2021	2020
	£	£	£	£
	Group	Group	Company	Company
VAT debtor	206,890	14,828	206,890	14,828
Prepayments	160,552	-	160,552	-
Unpaid share capital	-	75,000	-	75,000
Other debtors	905	-	-	-
	<u>368,347</u>	<u>89,828</u>	<u>367,442</u>	<u>89,828</u>

13. Investment in subsidiary

The investment in subsidiary companies comprises one wholly-owned subsidiary of the Company which is incorporated in Canada and has its registered office at 700-401 West Georgia Street, Vancouver, British Columbia V6B 5A1, Canada. The subsidiary undertaking is set out below.

Name	Principal activity	Holding
CBX Cellular Goods Canada Ltd	Cannabinoid products	100%

	Investments in subsidiary undertakings
Cost and net book value	£
As at 1 September 2020	-
Additions	1
As at 31 August 2021	<u>1</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021
(CONTINUED)**

14. Inventory

Inventory comprises raw materials shown at their cost of £57,178 (2020: £Nil).

15. Share capital and share premium

	Number of shares	Share capital	Share premium	Total
	Number	£	£	£
At 1 September 2020	128,750,000	128,750	195,025	323,775
Issue of ordinary shares (21/10/2020)	21,750,000	21,750	195,750	217,500
Issue of ordinary shares (27/11/2020)	10,000,000	10,000	90,000	100,000
Issue of ordinary shares (18/12/2020)	9,000,000	9,000	81,000	90,000
Issue of ordinary shares (12/01/2021)	30,000,000	30,000	270,000	300,000
Issue of ordinary shares (28/01/2021)	32,750,000	32,750	294,750	327,500
Issue of ordinary shares (01/02/2021)	10,000,000	10,000	90,000	100,000
Issue of ordinary shares (02/02/2021)	2,500,000	2,500	22,500	25,000
Issue of ordinary shares (26/02/2021)	260,000,000	260,000	12,740,000	13,000,000
Share issue costs	-	-	(1,099,849)	(1,099,849)
Share-based payments	-	-	(388,575)	(388,575)
At 31 August 2021	504,750,000	504,750	12,490,601	12,995,351

16. Trade and other payables

	2021 £	2020 £	2021 £	2020 £
	Group	Group	Company	Company
Trade creditors	176,747	-	159,246	-
Accruals	23,500	182,291	23,500	182,291
Amount due to subsidiary undertakings	-	-	14,534	-
	200,247	182,291	197,280	182,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021
(CONTINUED)

17. Share-based payments

The Company has issued 52,960,000 warrants to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. *The right to convert each warrant is unconditional.*

The right to subscribe for ordinary shares in the Company is subject to minimum vesting periods of up to three years. Relevant warrants are subject to a lock-in period of 12 months from 26 February 2021, the Company's date of admission to trading on the London Stock Exchange. This restriction applies to all warrants, exercised or otherwise.

Equity-settled share-based payments are measured at fair-value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes model at the date of issue.

Warrants issued	Weighted average exercise price	31-Aug-21 Number	31-Aug-20 Number
At the beginning of the period – pence	-	-	-
Issued in the period – pence	2.953p	52,960,000	-
At the end of the period – pence	2.953p	52,960,000	-

The total share-based payment charge for warrants in the year was £1,295,918, of which £907,343 has been charged to administrative expenses and £388,575 against share premium. The share-based payment charge was calculated using the Black-Scholes model. All warrants have an exercise period between one and three years from the date of issue.

Volatility for the calculation of the share-based payment charge in respect of the warrants issued was determined by reference to movements in the relative share prices of a selected peer group of companies listed on the London Stock Exchange.

The inputs into the Black-Scholes model for the warrants issued in the year are as follows:

	31 August 2021 Warrants issued
Weighted average share price at grant date – pence	5.03
Weighted average exercise prices – pence	2.95
Weighted average volatility	74.9%
Weighted average expected life in years	2.12
Weighted average contractual life in years	2.12
Risk-free interest rate	1.5%
Expected dividend yield	0%
Weighted average fair-value of warrants granted (pence)	2.6

The total of the share-based payment charge has been simultaneously credited to a share-based payment reserve within equity.

The total number of warrants issued to directors was 24,000,000.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2021
(CONTINUED)**

18. Contingent liabilities

There were no contingent liabilities at 31 August 2021 or 31 August 2020.

19. Capital commitments

There were no capital commitments at 31 August 2021 or 31 August 2020.

20. Controlling party

There was no ultimate controlling party as at the year end.

21. Related-party transactions

During the year, the Company incurred fees of £69,755 (2020: £Nil) for consulting services from Headline FD Limited, a company majority-owned by Simon Walters. Of this, £29,480 (2020: £Nil) was included in Directors' remuneration and £2,100 (2020: £Nil) was outstanding at the year end. The Company incurred fees of £45,042 (2020: £32,000) from Ampersand Ventures Limited, a Canadian company controlled by Eric Chang. Of this, £Nil (2020: £27,000) was outstanding at the year end.

During the year, the Company purchased £45,000 (2020: £90,000) of consultancy services from Toro Consulting Limited, a Canadian company owned by Jonathan Bixby, who is in joint control of Canadian-registered Durban Holdings Limited. Of this, £Nil (2020: £67,500) was outstanding at the year-end. In addition, the company incurred fees of £17,250 (2020: £22,000) during the year from Briarmount Limited, a company part-owned by Timothy Le Druillenec, while he was a director of Cellular Goods. Of this, £Nil (2020: £18,000) remained outstanding at the year-end.

22. Subsequent events

On 28 October 2021, the Company granted options over a total of 700,000 ordinary shares of £0.001 each. Jodie Sanders, commercial and partnerships director, and Sean O'Dwyer, marketing director, who joined the Company in August and September 2021 respectively, were each granted options over 250,000 ordinary shares. Antony Buck, a skincare adviser, was granted options over 200,000 ordinary shares. This follows an announcement on 6 May 2021, that he would be granted warrants over 200,000 ordinary shares in July 2021; these warrants were never issued.

The exercise price of the two sets of 250,000 options is 7.06 pence per share, with a total exercise period of ten years, and the options can be exercised in stages starting from the fourth quarter of 2022 to the fourth quarter of 2023.

The options over 200,000 ordinary shares can be exercised at 7.812 pence per share, from 12 July 2022, and will lapse on 12 July 2024 if not exercised.