Annual Report and Accounts

for the year ended 31 December 2022

for

CELADON PHARMACEUTICALS PLC

(FORMERLY SUMMERWAY CAPITAL PLC)

Registered No. 11545912

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Contents of the Financial Statements
For the year ended 31 December 2022

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Company Information
For the year ended 31 December 2022

DIRECTORS, SECRETARY AND ADVISERS

Directors	Alexander Anton (appointed 28 March 2022) Benjamin (Ben) Shaw (resigned 28 March 2022) David Firth Elizabeth (Liz) Shanahan James (Jim) Short (appointed 28 March 2022) Jonathan Turner (appointed 17 January 2023) Kathleen (Katie) Long (appointed 28 March 2022, resigned 17 January 2023) Robert (Robbie) Barr (appointed 28 March 2022) Dr Steven Hajioff (appointed 28 March 2022)
Company Secretary	Kerin Williams
Registered Office	32-33 Cowcross Street London EC1M 6DF
Registered Number	11545912
Nominated Adviser and Broker	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
Auditor	RSM UK Audit LLP 20 Chapel Street Liverpool L3 9AG
Solicitors to the Company	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place, 78 Cannon Street London EC4N 6AF
Principal Bankers	Barclays Bank Plc Level 4 1 Snowhill Queensway Birmingham B4 6GN
Registrar	Link Market Asset Services Limited *10th Floor* Central Square Wellington Street Leeds LS1 4DL

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Group Strategic Report
For the year ended 31 December 2022

CHAIRMAN'S STATEMENT

I am pleased to present the first full year results of Celadon Pharmaceuticals plc (the "Company" and together with its subsidiaries, the "Group"). Summerway Capital plc (which was renamed Celadon Pharmaceuticals plc on 25 March 2022) acquired Vertigrow Technology Limited ("Celadon") and was re-admitted to trading on AIM with effect from 28 March 2022. The results are for the year ended 31 December 2022.

I am proud of the role the Group plays in striving to make a positive impact on the lives of patients and its aim to produce a reliable and safe source of pharmaceutical grade cannabis-based products available to them and to the pharmaceutical Research & Development community in the UK.

SIGNIFICANT MILESTONES

The law changed in the UK in 2018 allowing medical cannabis to be prescribed to patients. Since that time Celadon has been working with the UK Home Office and the Medicines and Healthcare products Regulatory Agency ("MHRA") to be approved to provide a high-quality and consistent domestic supply of high Δ-9-tetrahydrocannabinol ("THC") cannabis products.

A significant amount of work and capital has been invested over the last four years that culminated in January 2023 with the Group's facility being awarded its Good Manufacturing Practices ("GMP") registration in March 2023 and the Home Office authorising the commercial supply of the Group's product.

CLEAR OPPORTUNITIES AHEAD

The initial data from participants on the Group's chronic pain feasibility study show the potential benefits pharmaceutical cannabis can bring to patients and their quality of life.

Whilst the market is clearly developing, the reliance until now for cannabis products to be imported on a named patient basis has caused significant additional cost and delays for the patients who need the products the most.

The Group's achievements in obtaining regulatory approvals means that the UK now has a domestic supplier who is in time expected to be able to meet the needs of this significant underserved patient base.

ADVANCING OUR SUSTAINABILITY AGENDA

The Group's transition to a sustainable energy supplier in December 2022 and its ongoing investigation of solar power as a means of reducing the Group's impact on the environment demonstrates the Board and Group's commitment to wherever possible operating in a sustainable fashion.

BOARD CHANGES

As a result of the acquisition of Celadon and readmission of the Company to trading on AIM on 28 March 2022, there was a significant amount of change in the composition of the Board during 2022, and into 2023.

I was re-appointed as Chairman on 28 March 2022, replacing Ben Shaw who had been Interim Chairman and stood down from the Board in advance of the acquisition of Celadon.

At the time of the acquisition Jim Short and Katie Long became the Group's CEO and CFO respectively and Robbie Barr and Dr Steven Hajioff took up the roles of Senior Independent Director and Non-Executive Director.

Latterly, Katie Long stood down as CFO on 17 January 2023 and was replaced by Jonathan Turner.

I would like to thank Ben and Katie for their contributions to the Group and the Board.

OUR EMPLOYEES

The Board is extremely grateful for the commitment and innovation of our employees in their approach to maintaining and growing the business despite the many challenges faced whether Covid related lockdowns, or an emerging regulatory landscape. We thank them for embracing new approaches to working and for adapting quickly to new ways of supporting the Group and its anticipated patients and customers.

DIVIDEND

Given the Group is continuing to invest in growing the business, the Board does not recommend the payment of a dividend (2021: nil).

LOOKING AHEAD

Despite the macroeconomic and political challenges over the past two years, the Group has made significant progress, and in January and March 2023 successfully obtained the required regulatory licences to allow it to begin the commercial supply of its cannabis-based products. The signing of the inaugural supply contract in May 2023 and the multiple expressions of interest demonstrates the appetite for the Group's product. This commitment underpins our mission to place the patient at the heart of everything that we do. The Board remains confident in the Group's strategic direction as a platform to improve the quality of life for the patients who desperately need the Group's products whilst delivering sustainable growth, and in time profitability for our investors.

Alexander Anton
Chairman

2 June 2023

CHIEF EXECUTIVE OFFICER'S REPORT

Introduction & Overview

I am delighted to report on the significant number of achievements and strategic progress for the Group in the last year.

These results are the Group's first as a public company following the Group's successful readmission to AIM in March 2022 as a result of the reverse takeover of Vertigrow Technology Limited by Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc), where we raised £8.5 million of equity capital to support our organic growth plans. On readmission, we became one of a small number of medical cannabis companies to be admitted to AIM, one of the world's leading growth markets for small and mid-cap companies.

In the past few years, cannabis-based medicinal products ("CBMPs") have expanded rapidly in several international geographies, with a growing evidence base for their efficacy across a number of conditions (e.g. chronic pain, epilepsy, autism). In the UK, it is estimated *that there are eight million people with moderate to severely disabling chronic pain, and around 50 million in the US. The interest in* CBMPs as medicines to treat pain has grown against the backdrop of the opioid crisis in the US, and the recommendations of UK regulators in 2021 to reduce their prescription for chronic pain.

Our aim is to position Celadon as a leader in breakthrough cannabis-based medicines, capitalising on our early-mover advantage in a highly regulated market as one of what the Board believes are only two UK companies of our kind with the licences to cultivate and manufacture pharmaceutical-grade cannabis in the UK for commercial sale.

Our strategy to open up the UK market combines domestic production of pharmaceutical-grade medicinal cannabis, clinical trials to generate the data to support prescriptions by doctors, and research into future breakthrough medicines. There is a substantial need for high-quality UK produced cannabis to reduce the need for imports from overseas, with the associated unacceptable costs and delays often faced by patients. Our subsidiary, Harley Street (CPC) Limited, trading as LVL Health ("LVL"), completed the initial feasibility phase of its chronic pain study in 2022, with promising early results from the data for pain reduction, opioid reduction and sleep. A number of parties have since approached us about using the Trial Protocol for different medicines and in new jurisdictions. We anticipate *approval for the LVL trial being given in H2 2023, and remain confident of the trial's ability to provide a robust data set that may enable* NICE to recommend the type of cannabis-based medicinal product studied in the clinical trial for prescription on the NHS for the uses studied in the clinical trial.

We believe the opportunity for CBMPs in the UK and internationally remains compelling for the following reasons:

- **Large addressable market:** there are an estimated eight million people in the UK with moderate to severely disabling chronic pain, with around 50 million in US. CBMPs are expanding rapidly internationally[FN1] across a number of territories, including Germany and Australia.
- **Growing evidence of efficacy for a number of conditions:** there is a growing evidence base for the efficacy of CBMPs (e.g. chronic pain, epilepsy, autism), which we are experiencing through the early results from the first patients on LVL's chronic pain study. The previous standard of care – opioids – has been estimated to work for only 5-10% of patients[1], with widespread evidence noting the harmful side effects of long-term opioid use. A recent study of the prescription of anti-depressants to treat chronic pain has suggested a "*shocking lack of long-term data*"[2] and further highlighting the need for evidence based alternatives to be pursued.

To unlock this opportunity, Celadon continues to pursue its strategy, with a mission and values aligned to deliver this. Critically, our strategy has a patient-first objective at the heart of everything we do as an organisation.

- **Mission:** to improve quality of life for patients most in need through developing breakthrough cannabis-based medicines
- **Values:** patient-first, collaboration, innovation, determination

STRATEGY

Celadon's strategy places the Group in a strong position to open up the UK market, having successfully built a strong foundation over the past three years, and to develop breakthrough cannabis-based medicines for patients. The regulatory and capital barriers to entry remain high, and Celadon's successful GMP registration and Home Office licence update puts it in a strong position to supply its pharmaceutical-grade product to the market.

With a strategy based around patient needs and an initial focus on chronic pain, Celadon has three core pillars to unlock the emerging market opportunity, which we continue to pursue:

- **Grow, extract and sell:** create an integrated UK supply chain that is not reliant on imported, costly product; licenced to cultivate, manufacture and sell to the market for revenue
- **Trial:** conduct clinical trials to demonstrate the efficacy of cannabis-based medicines, open up the UK market and support the case for NHS reimbursement
- **Breakthrough R&D:** develop advanced cannabinoid medicines with novel delivery technologies, led by Celadon's in-house R&D team and de-risked through industry partnerships

1: Stannard et al, 2016

2: https://www.bbc.co.uk/news/health-65532464

OPERATIONAL UPDATE

Since readmission to AIM in March 2022, Celadon has continued to make progress against its key operational milestones.

Phase 1 Cultivation Facility

In August 2022, the Company completed its seventh harvest of high THC medical cannabis from the Phase 1 grow rooms. The harvested cannabis flower product underwent rigorous internal and independent testing to assess its consistency, quality and cannabinoid profile. The results of the independent third-party testing confirmed that the cannabis flower tested consistently met Good Agricultural and Collection Practice ("GACP"), pharmaceutical grade standards for medical cannabis, demonstrating a consistent and high level of THC, well within all testing tolerances. The product supported the Company's application to the MHRA, with GMP registration achieved in January 2023. In addition to tight batch-to-batch consistency, the specification of Celadon's indoor hydroponic cultivation and smart environmental monitoring has driven high levels of yield.

Phase 1 has since undergone planned maintenance improvements, with a genetics and pheno-hunting programme underway.

Phase 2 Facility Fit Out

The Company has made significant progress in the development and fit out of its second cannabis cultivation space (Phase 2) during 2022 and Q1 23. As anticipated in the Group's interim results, Phase 2 commenced initial operations in Q1 2023. The Company is expected to ramp up operations in line with demand during 2023, with further fitting requirements (e.g. beds, lighting) to be put in place to support this. At full capacity, Phase 2 will have the potential to achieve an annualised yield of approximately three tonnes of high THC pharmaceutical cannabis in the form of dry flower, with a potential revenue opportunity of £30 million per year.

The Company took a few key decisions to alter and improve the construction of the Phase 2 build in 2022. This was partly in response to additional cost pressures, which the Group is clearly not immune to. To mitigate the inflationary environment, the decision was taken to in-house the management of the build, which generated substantial savings. The Group spent approximately £2.0 million in developing capacity on a phased basis. Certain works were also undertaken on Phase 3, ahead of the original schedule, on the recommendation of the regulatory auditors, in order to avoid disrupting Phase 2 operations at a later date.

Commercialisation

Since announcing its GMP and Home Office licencing updates in early 2023, Celadon has held a number of positive discussions regarding commercial supply of its pharmaceutical-grade cannabis products.

The Company has received multiple expressions of interest in the sale of its pharmaceutical-grade product. The Company is currently in discussions to convert these into commercial contracts, and whilst there is no guarantee around if or when these will convert, if successful they would be expected to move the Company to a cash generative position. The discussions include a further contract from the inaugural customer worth in excess of £7 million of annual supply.

The level of interest in Celadon's product further confirms management's belief that UK production, combined with indoor, fully-controlled hydroponic cannabis cultivation, has a significant advantage over imported product, with the associated frustrations for partients of supply delays and increased cost.

MHRA and Home Office Licencing

The Celadon team worked hard over the period to prepare the Group for its MHRA inspection, with a successful inspection in Q4 22 and the submission of the results of independently verified testing of its cannabis product.

Celadon was delighted to obtain confirmation from the MHRA in January 2023 that it had achieved GMP certification to manufacture its pharmaceutical-grade cannabis product.

On the basis of the successful MHRA registration, Celadon requested that the Home Office update the Group's licence to allow the commercial supply of its cannabis product. As disclosed at the time, the Home Office extended the Group's licence in March 2023. The Directors believe that the Group is the first in the UK to be licensed to cultivate and sell high-THC EU-GMP grade cannabis product from its own facility following the changes to pharmaceutical cannabis licensing in 2018, and one of a small number of EU-GMP facilities of its kind globally.

LVL's Chronic Pain Trial

LVL, the Company's private pain clinic subsidiary, has conditional approval from the MHRA for a trial of medical cannabis in patients with non-cancer chronic pain, allowing the enrolment of up to 5,000 patients. Before the trial commenced, the Research Ethics Committee ("REC") requested a Feasibility Study, designed to demonstrate the ability to engage and retain patients. The operation of the Feasibility Study required the Group to utilise a Care Quality Commission ("CQC") approved clinic to onboard patients. LVL's clinic on Harley Street successfully received CQC authorisation in the year.

This Feasibility Study allowed us to ensure that the onboarding process was efficient and effective and the Group presented its results to REC in December 2022. Feedback from patients who received treatment has been positive, with improvements in quality of life (including pain and sleep levels), and significant reduction in other medications (some respondents noted reductions in their opioid usage by 60%), being reported.

The Group remains confident that permission will be given to proceed to the full Clinical Trial. The full trial carries a number of advantages, most notably the clarification of its fully approved status, which is expected to substantially increase the recruitment of patients and sponsoring organisations, which had been lower than anticipated, largely as a result of the "conditionally approved" nature of the Trial during the Feasibility Study. The Group is currently exploring potential opportunities to enable a wider number of people to benefit from the Trial.

Breakthrough R&D

Led by Celadon's Chief Scientific Officer and in line with the Company's strategy, the in-house R&D team commenced work in 2022 on exploring opportunities to broaden the Company's product range of advanced medicines, using the Company's proprietary cannabinoid API.

During the period, the Company increased its stake in Kingdom Therapeutics, an early-stage biopharmaceutical company focused on the development of a cannabinoid treatment for Autism Spectrum Disorder, from 17% to 19%.

The Group also entered into an initial partnership agreement to collaborate with Phytome Life Sciences Limited on early-stage R&D projects. Phytome is a leading UK early-stage biopharmaceutical company conducting R&D into plant derived therapeutics with a specific focus on pharmaceutical cannabis, for which it has a UK Government R&D licence. The initial partnership agreement has explored the potential to develop novel medicines for the UK pharmaceutical market. By working with a third-party R&D specialist partner, Celadon's goal is to accelerate and expand its R&D pipeline with reduced financial and execution risk. Research has since progressed, with a priority indication selected.

Recruitment

During 2022 and Q1 23, the Company made significant progress in building a high-quality management team and strengthening its operations across all parts of the business. In January 2023, Jonathan Turner joined as Chief Financial Officer from the FTSE-250 company Oxford Instruments, and we recruited an experience Business Development Director and a new Head of Quality to oversee our GMP operations and interactions with the MHRA. These are three significant hires for a business at Celadon's stage of growth.

ESG

As a company, we recognise the importance of operating to the highest standards of compliance across the business, and we have continued to advance our approach to ESG, focusing on identifying those issues that are most material to Celadon's business and its key stakeholders. This work will form part of a comprehensive ESG strategy.

At the heart of Celadon's approach to ESG is that societal benefit will flow from addressing the UK's 'silent epidemic' of chronic pain (and opioid misuse), with eight million people experiencing moderate or severely disabling chronic pain and largely not benefiting from current treatments. This is Celadon's mission – to improve quality of life for patients most in need through breakthrough cannabis-based medicines.

Furthermore, as a UK pharmaceutical company aiming to develop medicines that might one day be reimbursed on the UK's National Health Service ("NHS"), Celadon is working to align with the NHS's requirement that by 2027 suppliers report emissions and publish a carbon reduction plan aligned with its 2045 net zero targets.

Where possible the Group is also taking measures now to reduce the impact that it has on the environment. In Q4 2022, the Group entered into exclusively renewable energy supply contracts for its Midlands facility. The Group is also in advanced discussions about installing solar panels to further reduce its environmental impact.

Outlook

While the UK market for CBMPs is early in its development, we remain confident of the medium to long-term sector outlook and the prospects for Celadon within this market. Having successfully obtained our Home Office licence to sell the Group's EU-GMP pharmaceutical cannabis products, we entered into our first Supply Agreement in May 2023 to supply £3m of product over three years to a leading UK Medical Cannabis company and are in active discussion with a number of potential partners about entering into long-term supply agreements.

We look forward to commencing the full Clinical Trial of the Group's chronic pain trial following the anticipated authorisation from REC, and are currently investigating ways to enable a wider participation in the Trial.

James Short
CEO

FINANCIAL OVERVIEW

Financial presentation of the Celadon Pharmaceuticals Plc Group results

On 28 March 2022, Summerway Capital Plc ("Summerway") (renamed Celadon Pharmaceuticals Plc), completed the acquisition of Vertigrow Technology Limited ("Vertigrow") and its 100% shareholding in Celadon Pharma Limited and the 57.5% shareholding in Harley Street (CPC) Limited to create the Celadon Pharmaceuticals Plc group. Vertigrow was renamed Celadon Property Co Limited on 3 January 2023.

Prior to the acquisition, Summerway had 8,033,409 ordinary shares in issue, and was an investing company under the AIM Rules. On acquisition, Summerway issued 48,484,848 new ordinary shares to the Vertigrow shareholders to redeem £4.13m of loan convertible loan notes that Vertigrow had issued.

After the combination, the Vertigrow shareholders comprised 86% of the Company's enlarged share capital. On consolidation and presentation of the Group's financial position, performance and cash flows, Vertigrow, was treated as the accounting acquirer, and the legal parent company Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc), was treated as the accounting subsidiary, as though Vertigrow had acquired Summerway and its AIM listing. As a result, and unlike a traditional acquisition, the value of £80 million ascribed to Vertigrow has not been capitalised as non-current asset, but instead recorded in shareholders' equity in the Company's balance sheet.

Accordingly:

- the Consolidated balance sheet at 31 December 2022 shows the acquisition of Summerway by Vertigrow, which occurred on 28 March 2022, whilst the Consolidated balance sheet at 31 December 2021 is the Vertigrow group;
- the income statement and statement of cash flows shows for the year ended 31 December 2022 are the results of Vertigrow with the inclusion of Summerway from 28 March 2022; and,
- the income statement and statement of cash flows for the year ended 31 December 2021 is that of the Vertigrow group only.

In addition, the accounting for the reverse acquisition itself is deemed to be the issue of shares to the original Summerway Capital Plc shareholders by Vertigrow and this is accounted for as a share based payment which gives rise to a non-cash charge in the income statement of £6.4 million, which is included within the reverse acquisition reserve.

The *Reverse Acquisition Accounting* is described in more detail in note 5 to these financial statements.

Revenues - in the year ended 31 December 2022, the Group recorded revenues from the Harley Street (CPC) Limited clinical study of £24k (2021: £2k).

Cost of sales - includes all costs for the Harley Street (CPC) Limited study patients, including initial suitability tests, medical consultation and onboarding of all patients.

Gross profit - for the year ended 31 December 2022, the Group reported a gross loss of £66k (2021: loss of £2k). The gross losses were due to the mix of paying and non-paying patients for LVL's Feasibility Study, and the lower patient numbers meaning that operational efficiencies were unavailable.

Operating costs - include all people costs, property costs (including utilities, repairs and maintenance), marketing, and legal and professional costs. These totalled £4.9 million in the year ended 31 December 2022 (2021: £2.4 million), which comprises all the Vertigrow operating costs, with Summerway's corporate costs included from 28 March 2022 onwards. The increase in operating costs reflects the scale up in the Group's people, operations and cost base pursuant to our enlarged Group business plan.

Operating loss - is gross margin less operating costs, depreciation and amortisation. The operating loss for the year ended 31 December 2022 was £5.4 million (2021: £2.7 million).

One off and non-cash items - in this reporting period there are a number of non-recurring and non-cash items below Operating Profit, which are detailed as follows:

Reverse acquisition and listing related costs in the year ended 31 December 2022:

- **Reverse acquisition share based payment and IPO costs** - a £6.4 million share based payment charge reflecting the net cost of Vertigrow acquiring Summerway and the AIM listing. This is a non-cash cost. In the year ended 31 December 2022 we incurred £1.5 million of advisers costs (2021: £0.8 million), included in the £1.5 million was the fair value of £245k of warrants issued to Canaccord Genuity Limited for their work on the readmission of the Group to AIM. (See note 5).
- **Finance charges on convertible loan notes** - in February and March 2021 Vertigrow raised £4.13 million in pre IPO finance via convertible loan notes (the "CLNs"). These CLNs are categorised at inception between an Embedded Derivative and a Host Liability, recognising the optionality in the CLN for the investor to convert their loan note in Vertigrow shares immediately prior to the acquisition by Summerway. In the year ended 31 December 2022, the Group recorded a finance charge of £3.4 million on the convertible loan notes, and a finance credit of £556k on the derivative liability. These are non-cash items as the loan notes converted into equity on 28 March 2022. (See note 22).

Doth of these costs are non-recurring.

Non-cash movements relating to Harley Street (CPC) Limited

The Group has undertaken a Purchase Price Allocation exercise in the period to allocate the purchase price spent on acquiring the Group's 57.5% ownership (which provided operational control) to the underlying assets of the Harley Street (CPC) Limited business. This lead to an adjustment of the 2021 balance sheet to reflect the split between Clinical Trial related intangible assets of £498k, deferred tax liabilities of £125k and goodwill of £639k.

The patient uptake was lower than anticipated as a result of the Clinical Trial only being conditionally approved, subject to the results of the initial Feasibility Study being approved by the Research Ethics Committee ("REC"). In order to operate the Feasibility Study, the Group needed to operate through a Care Quality Commission approved clinic, which led to additional costs.

These factors meant that the whilst the results for patients on the Trial demonstrated significant improvement in their condition, the update of the Trial was slower than expected and as a result the contingent consideration of up to £1.5 million (which was fair valued to £375k) was released. In addition, the Goodwill was impaired. The net result was a charge to the income statement of £264k. (See note 13.)

Long term incentive plan - the Group has a share based long term incentive plan for certain directors, advisors and employees. In the year ended 31 December 2022, the Group recognised a £910k charge for this Subsidiary Incentive Scheme. A further £226k charge related to warrants awarded to an advisor in respect of services to be provided between April 2022 and March 2024 (See note 28).

Finance charges on leased assets - Celadon has a Right Of Use lease on its production facility with almost 22 years remaining. There is also a 3 year Right Of Use lease on one item of production equipment. The finance charge on these leased assets of £531k is a fair valuation charge to unwind the respective balance sheet lease liabilities. The charge has increased on the prior periods as (a) the lease on the production facility was varied in February 2022 to extend the initial rent free period; and (b) a 3 year production equipment leased asset was taken on in the six months ended 30 June 2022. (See note 15).

Loan interest charges - Vertigrow had three loan funding lines:

(a) a UK Government backed COVID related Bounce Back loan;

(b) a Supplier Loan; and,

(c) a pre IPO loan from Summerway Capital Plc.

The external loan interest for (b) reduced versus prior period as the Supplier Loan was repaid in February 2022. The loan interest on (c) of £53k is for the period prior to 28 March 2022, and after that date is eliminated on consolidation. (See note 22).

Non Current Assets - increased by £2.2 million in the year ended 31 December 2022, the Group continued its facility fit out, increasing property, plant and equipment by £1.9 million, and increased the Right of Use asset (and associated lease liability) by £1.1 million due to a lease variation on the business property and entering a new small equipment lease (see note 15). These increases were offset by the impairment of Harley Street (CPC) Limited goodwill of (£0.6 million) and the amortisation of the LVL Chronic Pain Clinical Trial related intangible assets of (£0.1 million).

Current Assets - increased with IPO placing proceeds, and £1.0m of additional VAT and refundable R&D Tax Credits due. Cash balances at 31 December 2022 were £5.1 million (2021: £3.8 million). Inventories represent the value of consumables for use in cultivation and the LVL trial. The cannabis grown for validation and internal research and development purposes has been expensed. Excess supply from the trial grows has been destroyed.

Current Liabilities - reduced as the £4.9 million convertible loan note and accrued interest converted to equity on 28 March 2022. The £2.2 million related party loan between Summerway Capital Plc and Vertigrow was eliminated on consolidation from 28 March 2022, and the £375,000 contingent consideration liability on the purchase of Harley Street (CPC) Limited has been released (see note 13).

Non-current liabilities *- increased by £0.5m as the lease liability increased (by £1.6 million) due to the property lease variation, and* the recognition of a provision in respect of the property decommissioning costs of £0.4 million and a new small equipment lease which was largely offset by the repayment of the supplier loan of £1.5 million (in February 2022).

Net assets - at 31 *December 2022 were £7.0 million.*

Shareholders' Equity - Share Capital including Share Premium and the Merger Relief Reserve total £88.3 million at 31 December 2022 following the IPO and acquisition of Vertigrow by Summerway Capital Plc; the Reverse Acquisition Reserve of £59.2 million (which is the consolidation reserve created on the reverse acquisition of combining Summerway Capital Plc and Vertigrow); the Retained losses (increased to £22.8 million) and the Non-controlling Interest (£638k) increased with the losses in the year ended 31 December 2022.

Cash outflows from operating activities - for the year ended 31 December 2022 were £5.5 million (2021: £3.2 million). The main spend items include people, advisers and utility costs.

Investing activities - in the year ended 31 December 2022 capex items totalled £2.1 million. The Group increased its investment in Kingdom Therapeutics Limited by £18k (to £218k). The Group also received £3.5 million of cash inflow on the acquisition of Summerway Capital Plc. In the year ended 31 December 2021 capex items totalled of £542k, and we invested £500k acquiring 57.5% of the issued share capital of Harley Street (CPC) Limited in addition to our £200k investment in Kingdom Therapeutics Limited.

Financing activities - *in the year ended 31 December 2022, the Group raised £7.5 million of new equity financing (net of allocated* issue costs, which were specifically related to the fundraise process) and repaid a supplier loan of £1.5 million which was not used. In the year ended 31 December 2021 the Group raised £4.1 million of new funding (net of costs) via CLNs, which were redeemed on 28 March 2022 through the issue of new ordinary shares of Summerway Capital Plc, as part of the share consideration paid to Vertigrow's *vendors.*

Cash balance - at 31 December 2022 the Group had £5.1 million in cash.

New funding line - on 29 May 2023, the Group obtained £7.0m of new funding via a 2-year fixed rate Revolving Credit Facility Agreement. Interest will accrue at a rate of 10% on balances drawn under the Facility Agreement. The Revolving Credit Facility Agreement will be repayable in the event that the Group obtains sufficient alternative funding to allow the Revolving Credit Facility Agreement to be repaid in full.

Going Concern - as a result of the access to the £7.0m Revolving Credit Facility, the anticipated refund of £0.5 million of R&D tax credits and the Group's recently won new supply contract, the Directors consider that the Group is able to meet its financial liabilities as they fall due for the period of at least 12 months from the date of this report.

Jonathan Turner
CFO

RISK MANAGEMENT

Approach to Risk Management

The Group is continuing to develop and embed a process for identifying, evaluating and managing the significant risks faced by the Group. When fully approved the day-to-day management of this process will be delegated by the Board to the Executive Directors.

The Board has carried out a robust assessment of the principal risks facing the Group, including those which threaten its business model, future performance, solvency and liquidity. The principal risks set out on pages 10 to 14 provide an overview of the major risks and uncertainties faced by the Group. If a material risk changes or arises, this is reported to the Chief Executive, at which time there is a discussion on the adequacy of the mitigating actions taken. In addition, the Board and the Audit Committee consider risks to the Group's strategic objectives which arise at a Group level and develop appropriate actions to manage and mitigate these risks where possible.

Priorities during financial year ended 31 December 2022

During the year ended 31 December 2022 the principal priority was the development of Risk Management process referred to above.

Principal risks and uncertainties

Principal risks are reported and discussed at every meeting of the Audit Committee. For the Group, principal risks are generally those that could have a significant adverse impact on the Group's business model, financial performance, liquidity or reputation. The Audit Committee also considers emerging risks within the risk management framework. A formal review of emerging risks is conducted around the year end. The principal risks and uncertainties are set out on pages 10 to 14.

Risk Title	Risk Description	Possible Impact	Control Mechanisms
Licensing Risk			
The Group must comply with its Home Office licence and its MHRA registrations.	The Group is subject to routine ongoing inspections and audits and the MHRA also has the right to attend Celadon's facility to inspect at any point and without warning, and it could also be subject to unannounced inspections under the misuse of drugs legislation.	If the Group should fail an inspection and not be in compliance with the requirements of licences/ registration or with GMP, the Group would be allowed the opportunity to rectify such non-compliance, however, the conduct of the licensed activity could be suspended pending such remediation depending on the seriousness of the non-compliance. There is also a risk that the licence from the Home Office or the registration or GMP certificate from the MHRA could be withdrawn or restricted or that the licenced/registered entity could be prosecuted for non-compliance in which event this would adversely affect the Group's ability to generate revenue and its wider financial performance.	The Group has an established Quality Assurance team and has been making further investments to develop the team. The Group is in frequent contact with the Home Office to ensure that the licencing authority is aware of its activities.
Funding Risk			
The Directors believe that the funds available to the Group are sufficient to meet its requirements for at least the period of 12 months from the date of this Annual Report.	Additional funding may be required after such period if the Group's expected costs to meet its current objectives exceed its expectations or if revenues generated are below expectations.	Failure to obtain sufficient funding, or on commercially acceptable terms, may result in delay and indefinite postponement of the Group's activities or expansion plans. There can be no assurance that additional financing will be available when needed, on terms appropriate to the Group.	If additional funding is required, the Group will look to raise additional funds through equity financing, debt financing or a combination of both.

Risk Title	Risk Description	Possible Impact	Control Mechanisms
Design & Construction risks			
The Group is designing and building its own indoor hydroponic growing facility for pharmaceutical grade cannabis.	There are numerous risks associated with the design and construction of a new facility to grow medicinal cannabis, including underestimating the lighting/heating requirements and costs of installation, human error in the execution of engineering and construction, equipment failure, supplier delays and underestimating breakages and consumables.	Any interruption to the controlled environment including power failures, lighting failures, lack of water, breach of security protocols, pests or plant diseases or the introduction of new cannabis varieties with uncertain or unknown indoor growing history may materially impact on the grow time and therefore the number of harvests or the cannabinoid oil yield generated from each harvest. Any adverse outcomes in respect of these matters would adversely affect the Group's current and future business activities and operations, financial performance and prospects.	The business undertakes regular reviews to ensure that the construction activity is proceeding in line with expectations, have taken the lessons learned during the construction of Phase 1 when developing Phase 2. The facility design is anticipated to yield lower than average operating costs with targets having been set.
Agricultural risks			
The cultivation and supply of medicinal cannabis relies on agricultural processes and inputs. The Group will continue to grow and manufacture its own high quality medicinal cannabis in the UK. Whilst the cannabis will be grown indoors, there are a number of risks inherent in operating as a primary producer in the agriculture industry, including plant diseases, pests and force majeure events.	There are a number of risks associated with the use of alternative cultivation systems to grow medicinal cannabis, including sourcing of suitable cannabis varieties, and the possibility of plant diseases. Furthermore, while Celadon has grown pharmaceutical grade cannabis, the business has not grown high volumes of product for commercial sale and there is therefore a risk that the Group may be unable to grow cannabis to the required quality and standards in the expected quantities.	If the Group is unable to grow larger volumes of pharmaceutical grade cannabis, it may not be able to generate the anticipated level of revenue, and it may need to be sold for other market applications, such as consumer products, or not at all. A failure by the Group to cultivate cannabis to the required standards or in sufficient quantities would adversely affect the Group's ability to generate revenue, which would reduce the Group's overall profitability and adversely impact its financial performance.	The Group has undertaken and continues to pursue Research & Development into its agricultural environment, including environmental monitoring, cleaning processes and genetic stabilisation to monitor and control the agricultural risks the Group faces. This is reinforced by regular product testing, and traceability through the entire growing and extraction cycle to ensure the highest quality product.
Medicinal cannabis industry			
The medicinal cannabis industry is still in its infancy so many significant risks may arise.	As the medicinal cannabis industry continues to evolve, it is likely that there will continue to be changes to existing legislation and / or the interpretation of the legal requirements which govern the operations and contractual obligations of the Group. In addition, there is a risk that a regulatory body or a court could, in the future, change the interpretation of current laws which may adversely impact the Group.	Changes in the regulatory environment could impact adversely on the assets, operations and the financial performance of the Group and the medicinal cannabis industry in general. Despite cannabis having been legalised for medicinal use, cannabis continues to be categorised as a controlled substance and licence and / or permit violations could result in significant civil or criminal fines and penalties in certain jurisdisctions, as well as potentially losing any licences issued. Any such sanction would adversely affect the operations and financial performance of the Group.	The Group actively monitors the regulatory landscape and is in frequent dialogue with the Home Office and other regulatory authorities to help them understand the challenges and opportunities faced by the business wherever possible with data, such as the LVL Chronic Pain Trial.

Risk Title	Risk Description	Possible Impact	Control Mechanisms
Competition may increase			
The industry in which the Group operates is subject to domestic and international competition.	While the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group.	Some of the Group's competitors and potential competitors may have significantly more financial resources than the Group, which may lead to reduced margins and loss of revenue or loss of market share. Further, revenues in the future may be reduced as the industry consolidates and seeks revenue accretion at the expense of profit margin.	The Group actively monitors the competitive landscape, and is investing in differentiation (eg advanced growing methods).
Competition from other products			
The Group's proposed medicinal cannabis products face competition from synthetic cannabis products, established and developed pharmaceutical products or treatments, non-medicinal CBD products sold as wellness products or supplements, or in jurisdictions where it is legal, the use of cannabis with moderate to high THC, used recreationally to self-medicate symptoms or conditions.	Alternative treatments could render the Group's products obsolete and/or otherwise uncompetitive. Notwithstanding the technical merits of a medicinal cannabis product there can be no assurance that the Group's proposed products will be adopted as standard in medical practice or that the medical procedures at which the Group's products are targeted will gain wider market acceptance. At present, the prescription of cannabis-based medicinal products remains low and is limited to specialist, registered clinicians.	A number of factors currently limit the prescription of cannabis-based medicines including; a lack of education and training in the medical profession, a lack of randomised control trials and clinical evidence and research demonstrating the safety and efficacy of medicinal cannabis products. If there is only a limited, or no, improvement in the prescription of medicinal cannabis products, the Group may experience lower demand for its products, whether raw materials, directly extracted oils or manufactured APIs, which would adversely impact the Group's revenues, results of operations and financial position.	The Group continues to monitor the competitive landscape to ensure that its products remain competitive both from a cost and efficacy perspective, and is undertaking Research and Development to invest in Intellectual Property investigating advanced forms of delivery / dosage.
Reputational impact			
There is a risk that an incident beyond the control of the Group could occur which would have the effect of reducing patient, medical / scientific or regulatory confidence or preferences for cannabis or medical cannabis products generally or the Group's products specifically.	Such incidents could include: – a serious health or product risk incident involving a product or clinical trial of another industry participant; – negative medical or scientific report(s) or negative media and press in respect of cannabis or medical cannabis products of another industry participant resulting in a widespread loss of confidence in cannabis or medical cannabis products; – negative press article/s on member(s) of the Group and/or the Group's key personnel; and – a material breach of any laws or regulations by another industry participant or any material adverse finding or determination of any inquiry or investigations by any regulatory authority involving another industry participant.	The consequences of such an incident could be very significant for the Group, with adverse impacts potentially including reduced revenues and financial performance and prospects.	The Group actively monitors news of the medical cannabis market and its competitors, and is supported in its communications efforts by Powerscourt, the Company's financial public relations adviser.

Risk Title	Risk Description	Possible Impact	Control Mechanisms
Clinical Trial Risks - generally			
Clinical trials are expensive, time consuming and difficult to design and implement and the outcome of any approved or recognised clinical trials cannot be predicted with certainty.	A clinical trial can fail at any time during the trial process and the Group's future clinical trial results may not be significant.	If the Group experiences delays in the completion of, or termination of, any clinical trial, the commercial prospects of the medicinal products may be harmed, and the Group's ability to generate product revenues the supply of APIs for any of these medicinal products will be delayed. Any adverse findings from any of the trials the Group may conduct (including any findings which are a health risk or insufficient to support clinically the case for the therapeutic effects of medicinal cannabis or related products or which clinically support the treatment for only very limited diseases or symptoms, as to be determined by the relevant authorities) is likely to or may have an adverse effect on the Group's existing and proposed activities and operations, financial performance and prospects and/or the industry generally.	The Group is investigating the possible use of cannabis-based medicine to treat other conditions, beyond chronic pain and Autism Spectrum Disorder to allow it to diversify risk.
LVL Trial Risk - Authorisation			
The LVL Trial has been conditionally approved by MHRA but has not yet been approved by the Research Ethics Committee. After approval, the MHRA and Research Ethics Committee have the authority to review the ongoing progress of the Trial.	If the Trial is approved by the Research Ethics Committee and protocols are not subsequently adhered to there is a risk that the approval of the Trial may be withdrawn by either MHRA or the Research Ethics Committee.	If the Trial is not approved, or approval for the Trial is withdrawn and/or changed, meaning that the Trial cannot be completed or must proceed on a different basis, the commercial prospects of the Group's medicinal products may be harmed, and its ability to generate revenues arising from the provision of referrals and/or treatment involving cannabis based medicinal products will be delayed. This may also reduce the commercial prospects of the Group generating revenues from future supply of cannabis APIs.	The Group is in active and ongoing dialogue with the Research Ethics Committee around the Trial's approval. The Group will carefully monitor adherence to the Trial Protocol to minimise the risk of the approval being withdrawn.

Risk Title	Risk Description	Possible Impact	Control Mechanisms
LVL Trial – Operation			
The aim of the LVL Trial is not to seek regulatory authorisation for a specific medicinal product and as such the Trial is not a typical three-phase clinical trial. It is instead intended to demonstrate the safety and efficacy of cannabis-based medicines for the treatment of chronic pain	There is a risk that even if the data from the Trial demonstrates the safety and efficacy of the cannabis treatment for pain relief, the data may still not be relied upon by the National Institute for health and Care Excellence ("NICE") to recommend the type of cannabis based medicinal product studied in the Trial for this purpose.	If NICE do not recommend the type of cannabis-based medicinal product studied in the Trial for the uses studied in the Trial, and Celadon is not able to supply the type of cannabis-based medicinal product studied in the Trial to the NHS, it may have a material adverse effect on the Group's revenues, future prospects and operations.	If NICE decided not to recommend the type of cannabis-based medicine studied in the Trial, given the limited amount of clinical trial data available on medicinal cannabis, the Directors believe that it would be valuable data for doctors on the specialist register when prescribing medicinal cannabis. It would also inform the Group on the design of subsequent trials for other products and conditions.
Research and development			
In order to remain competitive, the Group intends to undertake research and development. The Company makes no representation that any of the Group's research into or development of its products will be successful or that the products that are commercially exploitable.	There are many risks inherent in the development of products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.	In addition, there may not be sufficient resources to maintain the Group's research and development activities and sales and patient support efforts. The Company provides no assurance that the Group's research and development activities will result in the creation of any new intellectual property or know-how capable of being utilised in the Group's business activities.	Regular reviews of the Research and Development activity are undertaken to ensure that it is progressing in line with expectations.
Security risk			
The Group is subject to the risk of theft of the Group's products and other security breaches by both internal and external actors, including criminal organisations and black-market operators. The security of the Group's products at its facilities and during transportation to and from the Group's facilities is critical to its business operations.	Any failure to take steps necessary to ensure the safekeeping of the Group's cannabis materials or products could also have an impact on the Group's ability to continue operating under its existing licences, to renew or receive amendments to its existing licences or to receive required new licences or approvals.	A breach of security during transport or a security breach at the Group's facilities could result in a significant loss of available high-value product, expose member(s) of the Group to additional liability under applicable regulations and to potentially costly litigation or increased expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on the Group's business, its financial condition, results of operations and prospects.	The Group's facility has extensive security precautions, as required by Home Office regulation and works closely with local police forces.
Banks and other financial services			
Banks may not provide banking services, or may cut off banking services, to businesses that provide cannabis and cannabis-derived or related products. Insurers or other financial services providers may be similarly limited in their willingness to provide services to businesses dealing with medical cannabis.	While the Group's operations are being structured to be compliant with applicable law and regulations, banks and other financial institutions may refuse to provide bank accounts and other banking services to companies which engage in the cannabis sector for a number of reasons, such as perceived compliance risks or costs.	If this is the case, the Group may have and may continue to have difficulty in finding banks willing to provide it with bank accounts and other banking services, which could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.	The Group maintains an active dialogue with its banks and other financial counterparties to ensure they are aware of the Group's activities.

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Directors need to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the Company's employees;
- Need to foster the Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and environment;
- Desirability of the Company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the Company.

The Directors consider, both individually and collectively, that we have acted in the way we consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2022. We set out below how we consider these matters in our decision making:

S172 factor	Our approach	Relevant disclosure
(a) the likely consequence of any decision in the long term	The Board is always mindful of the long term and the consequence of any decision on this timeframe. The growing of highly controlled indoor hydroponic, high THC cannabis is a long-term strategy in an emerging market. Achieving GMP registration and Home Office licence has taken several years and has been complex. The development of the growing facility has also been a long process and at each phase of the build and fit out the Board are mindful of the longer-term plan and therefore adjust plans accordingly to fit the next and future phases. The Board regularly looks to the future to unlock the emerging market opportunities with decisions on growing, trialling and R&D necessarily always having a focus on the long term.	Strategic report on pages 19 to 20
(b) the interests of the company's employees	We have a small workforce which means the Board, senior management and staff work closely together. Given the proximity of staff and senior management the interests of employees is always front of mind in Company decisions and feedback can be gathered on a formal and informal basis.	Strategic report on pages 3 and 20
(c) the need to foster the company's business relationships with suppliers, customers and others	The Board is committed to fostering the Company's business relationships. These relationships include regulatory bodies as well as potential customers and other stakeholders. These stakeholders are key to our business model so members of the senior management have direct responsibility for managing these relationships.	Strategic report on pages 5 and 20
(d) the impact of the company's operations on the community and the environment	As a Company, we recognise the importance of our operations on the community and the environment. At the heart of Celadon's approach to ESG is that societal benefit will flow from addressing the UK's 'silent epidemic' of chronic pain (and opioid misuse), with eight million people experiencing moderate or severely disabling chronic pain and largely not benefiting from current treatments. This is Celadon's mission – to improve quality of life for patients most in need through breakthrough cannabis-based medicines. Where possible the Group is also taking measures to reduce the impact that it has on the environment. In Q4 2022, the Group entered into exclusively renewable energy supply contracts for its Midlands facility. The Group is also in advanced discussions about installing solar panels to further reduce its environmental impact.	Strategic report on page 5

S172 factor	Our approach	Relevant disclosure
(e) the desirability of the company maintaining a reputation for high standards of business conduct	As a Company, we recognise the importance of operating to the highest standards of compliance across the business. Morality and ethics are central to the Company's values and define how the Company and its employees interact with all stakeholders of the business to ensure the Company builds an impactful and enduring organisation, which benefits both its shareholders and wider society.	Strategic report on pages 5 and 10 to 14 Corporate Governance report on pages 19 to 20
(f) the need to act fairly as between members of the company	The Board recognises the importance of treating all members fairly and monitors the views of the Company Shareholders through reports on investor and analyst communications so that their views and opinions can be considered when setting strategy.	Annual General Meeting (page 19) Share capital structure (page 28)

This Group Strategic Report on pages 2 to 16 was approved by the Board of Directors on 2 June 2023 and signed on behalf of the Board of Directors by:

Alexander Anton
Chairman

2 June 2023

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Board of Directors
For the year ended 31 December 2022

The Board is responsible for the overall management of the Group including the formulation and approval of the Group's long-term objectives and strategy and for ensuring that high standards of corporate governance are maintained throughout the business. The biographical details, skills and experience of each of the Directors are summarised below:

Alexander Anton – *Chairman*, (appointed 28 March 2022)

Alexander is an experienced AIM director and entrepreneur. Alexander is the former chairman and latterly a non-executive director of Victoria PLC, retiring from that role in 2019. He was Chairman of Summerway Capital Plc from October 2018 to January 2021, and was re-appointed on 28 March 2022 following completion of the acquisition of Vertigrow.

Alexander was chairman of The Queen's Club from 2005-2007 and led the members' buy out from the Lawn Tennis Association for £35 million in 2007. He is also the founder of Fraser Real Estate and Legacy Portfolio, businesses focused on complex leasehold portfolios.

James Short – *Chief Executive Officer* (appointed 28 March 2022)

James is the founder and CEO of Celadon. James has had a successful track record in the construction industry and then in the renewable energy sector. He co-founded the waste to energy business Bio-Gen Power Ltd and sold stakes to Ener-G Holdings PLC in 2007 and to FTSE 100 company International Power in 2008. He sold the company in 2010.

Subsequently, James commissioned the feasibility study and obtained planning permission for the development of the £984 million 1,500 megawatt combined cycle gas turbine power plant at Thorpe Marsh in North Doncaster in partnership with Acorn Power and GE. In 2014, he sold the development to GE. Latterly James has been involved in a cyber business that sells its product into a number of NHS hospitals developments.

Jonathan Turner – *Chief Financial Officer* (appointed 17 January 2023)

Jonathan qualified as a Chartered Accountant in 2003 with the Institute of Chartered Accountants of England and Wales and an Associate Member of the Association of Corporate Treasurers in 2013. Jonathan has a degree in Physics from the University of Oxford. Jonathan started his career as a tax advisor with Smith & Williamson in London where he provided tax advisory and compliance services to a range of clients from listed groups to owner managed businesses. When he qualified, Jonathan moved to Ernst & Young, originally joining the Banking & Capital Markets team before spending 6 years with the International Tax Services Group where he advised listed businesses on international expansion, acquisition structuring and financing.

In 2010, Jonathan joined Synergy Health plc as Head of Tax & Treasury - later also becoming the Group Company Secretary and a member of the Senior Executive Board. Synergy Health plc was a FTSE250 business providing clinical sterilisation services to hospitals and the medical device sector amongst others, and was acquired by STERIS plc (a NYSE listed provider of infection prevention and procedural surgical products and services for £1.4bn in 2015. In 2017, Jonathan joined Oxford Instruments plc, a FTSE 250 provider of high technology products, systems and tools to leading industrial companies and scientific research communities as Divisional Finance Director for the NanoScience and Magnetic Resonance Divisions, and became Group Director of Accounting, Tax &Treasury in 2020.

Robbie Barr – *Senior Independent Non-Executive Director* (appointed 28 March 2022)

Robbie is an experienced operator and director having spent the majority of his executive career with Vodafone Group Plc where he held senior executive positions, including Group Financial Controller and CFO of the Group's operations outside Western Europe. Robbie is a Senior Advisor to OMERS Private Equity and Infrastructure in Europe, a Non-Executive Director of Associated British Ports Holdings and VTG Gmbh, the European railway wagon lessor and Chairman of Kemble Ventures.

Robbie was formerly Chairman of Vue International from 2020 to 2022, Executive Chairman of Four Seasons Health Care from 2014 to 2018 and of Odeon & UCI Cinemas from 2012 to 2016. From 2009 to 2015 he was a managing director of the private equity firm Terra Firma Capital Partners.

David Firth – *Independent Non-Executive Director and chairman of the remuneration committee and audit committee* (appointed 17 September 2018)

David is a Fellow of the Institute of Chartered Accountants in England and Wales and a highly experienced Plc board member. He is a non-executive director of Parity Group Plc, an IT services and consultancy business and is chairman of its Remuneration and Audit Committees. David is also non-executive director and Audit Committee chairman of Best of the Best plc, an organiser of weekly competitions to win cars and other luxury prizes, and a non-executive director and chairman of the Audit Committee of i-Nexus Global Plc, a strategy execution software company.

Previously he was the finance director of Penna Consulting plc from 1999 to 2016. David has held a number of board positions in public companies over the past 30 years across various sectors including HR consultancy and recruitment, IT services, financial markets, motor retailing and advertising.

Dr Steven Hajioff – *Independent Non-Executive Director* (Appointed 28 March 2022)

Steve has been a leader and innovator in healthcare and health policy for thirty years. He was the Chairman of the Representative Body of the British Medical Association (BMA) from 2010 to 2013 and has worked as a Medical Director or Chief Medical Officer in several organisations including Bupa Health Dialog, Totally PLC, Pain Management Solutions Ltd and AxialBridge, Inc. He previously advised NHS England on specialised services, including rare disease, orphan drugs and low-volume high cost procedures and has been an adviser to the National Institute for Health and Care. Excellence (NICE) in a range of capacities since 2012. He is currently a member of their Quality Standards Advisory Committee.

He was, until recently, a Director of Public Health and a member of the Governing Body of a Clinical Commissioning Group in west London. Steve runs his own consultancy business and specialises in healthcare market access and reimbursement, clinical opportunity analysis and health policy. Steve is currently the Chief Medical Officer at Sana Life sciences and is a scientific adviser to Phytome Life Sciences. He is also a Senior Lecturer at Imperial College London. He was formerly a member of the Medical Ethics Committee of the British Medical Association; one of the most influential bodies in UK clinical ethics. In June 2015, the British Medical Association awarded Steve their highest honour, the Gold Medal for Distinguished Merit.

Elizabeth Shanahan – *Independent Non-Executive Director* (appointed 21 September 2021)

Liz is currently a non-executive director of two other AIM-listed businesses, Advanced Medical Solutions plc and Inspiration Healthcare Group plc. She is a former non-executive director of UDG Healthcare plc, a company that was listed on the London Stock Exchange and a constituent of the FTSE 250 up until its £2.8 billion takeover, which completed in August 2021.

Liz is a life sciences entrepreneur with extensive experience advising leading global pharmaceutical and healthcare organisations. She is a Co-founder of Kingdom Therapeutics Limited. Until 2014, she was Global Head of Healthcare & Lifesciences at the NYSE-listed management consultancy, FTI Consulting Inc., who had in 2007 acquired the communications business, Santé Communications, which she founded in 1995. Liz is a Trustee of CW+, the charitable arm of Chelsea & Westminster Foundation Trust Hospital in London and a member of the organisation's Innovations Advisory Board.

Corporate Governance Report
For the year ended 31 December 2022

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

As Chairman, my role includes upholding the highest standards of corporate governance throughout the Group, particularly at the Board level. It therefore gives me great pleasure to introduce our Corporate Governance Report.

The Principles of Corporate Governance

As a Board we recognise the importance of sound corporate governance in supporting our strategic goals and long-term success. The Board annually reviews the Company's corporate governance framework and we continue to deem it appropriate to adopt the Quoted Companies Alliance Code ("QCA Code"), where practicable for the Company to do so. This report sets out how we have applied the principles of the QCA Code during the year and describes the governance framework that we have established to support the implementation of the principles. The report is structured under the headings of the ten QCA Code principles for ease of reference. The Board believes that the Company has complied with the ten principles of the QCA Code throughout the year.

Strategy & business model (Principle 1 of the QCA Code)

Our strategy and business model are set out in the Strategic Report on pages 4 to 6. The Board regularly discusses the Group's long-term strategy and monitors the performance of the Executive team in the delivery of that strategy. The Company was incorporated in August 2018 as an investing company, and in October 2021, changed its strategy to focus on investment and acquisition opportunities across the healthcare and pharmaceutical sectors. On 28 October 2021, the Company announced the proposed acquisition of Vertigrow, which subsequently completed on 28 March 2022. The acquisition of Vertigrow was a significant milestone in the development of the Company and provided an ideal entry point into the highly regulated, rapidly growing medicinal cannabis sector within the UK. The Company is now a UK-based pharmaceutical group that is focusing on growing highly controlled indoor hydroponic, high THC cannabis for use within medicinal products used to treat chronic pain. Through LVL, the Company has also commenced the planning of research into cannabinoids for use in chronic pain and, through Kingdom, has commenced research into the treatment of other conditions such as autism, within the UK's highly regulated market.

The Company has received a Home Office Licence following approval from the MHRA to apply for the licence, allowing it to legally grow medicinal cannabis in the UK for the purpose of producing test batches of cannabis oil to support its application to the MHRA for registration as a manufacturer of medicinal product APIs.

The receipt of MHRA registration will enable the business to supply medicinal cannabis (in the form of an API to manufacturers of finished medicinal products, which in this case is an extracted oil used in the finished pharmaceutical product) with a high THC content in the UK, allowing it an opportunity to enter what is expected to be a substantial, extensively regulated and fast-growing UK market, however, as this is a new and developing market there may be challenges in the Group's ability to execute on its strategy.

Based upon the company's progress to date, the Directors believe the Company is ideally positioned to execute its strategy and in doing so, deliver long-term value for shareholders.

Shareholder relations (Principle 2)

The Company recognises the importance of engaging with its shareholders and reports formally to shareholders at the half and full year. The Board also seeks to engage with shareholders to understand their needs and expectations, primarily through meetings with the Executive Directors, both individually as required, and at annual general meetings, at which all shareholders are welcome. The Non-Executive Directors are also available to meet with major shareholders who wish to raise matters with them, and the Non-Executive Chairman may attend meetings with institutional investors and analysts as required.

The Board as a whole is kept informed of the views and concerns of shareholders through briefings following engagement activity conducted by the Executive Directors, or any non-Executive Directors, and any significant investment reports are also circulated to the Board. Outside the programme of investor engagement led by the Executive Directors, the Annual General Meeting ("AGM") is the main forum through which the Board is available for engagement with shareholders. All the Directors attended the AGM held in Birmingham in June 2022 and we look forward to meeting shareholders again at out next AGM which will be held in London in June 2023.

Wider stakeholder and social responsibilities (Principle 3)

As a UK based pharmaceutical Company operating in a nascent and rapidly growing medicinal cannabis market, the Company recognises the significant benefit both the manufacturing of high content THC cannabis and research into the use of cannabinoids can have for easing the pain and suffering of many patients afflicted by conditions such as autism.

By addressing the unmet needs of patients with chronic pain, the Company has the potential to dramatically improve the quality of life for thousands of individuals across the UK.

Risk management (Principle 4)

The Board has identified and implemented what it believes to be an appropriate approach to risk management for a Company of its size, scale and complexity. As a result of the regulated environment that the Company operates within, it takes a very prudent approach to managing risk across the business. The Group is in the process of expanding its Risk Register to capture regularly a snapshot of the risks the Group faces and the efficacy of the mitigating or controlling actions. This will be regularly reviewed by the executive management team. The Risk Register is regularly updated and presented to the Board at the half year and year end. Any proposed amendments to be made to the register and any action points identified from the review are reported to the Board.

In addition to the Risk Register, the Company also has a comprehensive risk management framework in place to proactively manage operational risks. This is driven by two principal Standard Operating Procedures (SOP), Risk Management Planning and Risk Assessment. Risk Management Planning SOP establishes a procedure for the policy that outlines the Company's approach to identifying, evaluating and managing the risks to the business and the operations and services it provides. The Risk Assessment SOP establishes a procedure for the policy that outlines the Company's approach to carrying out risk assessments and defining the actions thereafter. In addition to these SOPs, there are a number of other SOPs covering the businesses operations, personnel, environmental matters.

Further information on our approach to Risk Management can be found on page 10.

The Board (Principle 5)

The Board consists of a Non-Executive Chairman, Chief Executive Officer and Chief Financial Officer, and four Independent Non-Executive Directors. The biographies of the current Directors can be found on pages 17 and 18.

At the beginning of the year, prior to the completion of the acquisition of Vertigrow, the Board comprised the following, which was considered an effective and appropriate composition for the stage of the Company's development and revised investing policy:

Benjamin Shaw – Interim Chairman
David Firth – Independent Non-Executive Director
Liz Shanahan – Independent Non-Executive Director

On 28 March 2022, the Board was reconstituted as part of the completion of the acquisition of Vertigrow. On this date, Benjamin Shaw resigned as Interim Chairman, and was replaced by Alexander Anton as Non-Executive Chairman. In addition, James Short and Kathleen Long joined as executive directors in their roles of Chief Executive Officer and Chief Financial Officer respectively, Robert Barr was appointed Senior Independent Non-Executive Director, and Dr Steven Hajioff was appointed as an Independent Non-Executive Director. Post year end Kathleen Long resigned as CFO and Jonathan Turner was appointed CFO on 17 January 2023. At the date of signing the board consists of the following directors:

Alexander Anton – Non-Executive Chairman (appointed 28 March 2022)
James Short – Chief Executive Officer (appointed 28 March 2022)
Jonathan Turner – Chief Financial Officer (appointed 17 January 2023)
Robert Barr – Senior Independent Non-Executive Director (appointed 28 March 2022)
David Firth – Independent Non-Executive Director (appoint 17 September 2018)
Liz Shanahan – Independent Non-Executive Director (appointed 21 September 2021
Dr Steven Hajioff – Independent Non-Executive Director (appointed 28 March 2022)

As noted in the Company's Admission Document, both Robbie Barr and David Firth participated in a placing of the Company's shares that took place on 25 and 28 March 2022. The participation in the placing is not considered to impair the independence of either Robbie Barr or David Firth.

The Board is responsible for the overall management of the Group including the formulation and approval of the Group's long-term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of the Group's strategy, policies and plans. While the Board may delegate specific responsibilities, there is a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, as required.

The Board is responsible to Shareholders for the proper management of the Group. A Statement of Directors' Responsibilities in respect of the financial statements is set out on pages 29 and 30. To enable the Board to discharge its duties, the Directors have full and timely access to all relevant information. The Board is supported in its work by Board Committees, which are responsible for a variety of tasks delegated by the Board.

Each of the Directors submit themselves for re-election at the Annual General Meeting in accordance with the Company's Articles of Association.

Board and Committee Meetings

The Board has regular scheduled meetings at least five times per year and meets at other times as necessary. The agenda for the Board meetings is prepared by the Company Secretary in consultation with the Chairman of the Board. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. The Board has in place effective procedures to monitor and deal with conflicts of interest, including recording the other external commitments and interests of its Directors. Attendance at Board and Board Committee meetings by members of the Board during the year ending 31 December 2022 was as follows:

Directors' attendance at scheduled* Board meetings is show below:

	Board	Audit	Remuneration	Nominations
Alexander Anton[1]	5/5	-	3/3	2/2
Benjamin Shaw[2]	1/1	-	-	-
James Short[3]	5/5	-	-	-
Jonathan Turner[4]	0/0	-	-	-
Kathleen Long[5]		-	-	-
Robbie Barr[6]	5/5	4/4	3/3	2/2
David Firth	6/6	4/4	3/3	-
Dr Steven Hajioff[7]	5/5	-	-	-
Liz Shanahan	6/6	4/4	-	2/2

- other ad hoc Board meetings and Committees were held throughout the year to deal with specific ad hoc matters and approvals.

1. *Alexander Anton was appointed on 28 March 2022.*
2. *Benjamin Shaw resigned on 28 March 2022*
3. *James Short was appointed on 28 March 2022*
4. *Jonathan Turner was appointed on 17 January 2023*
5. *Kathleen Long resigned on 17 January 2023 and was on maternity leave during part of the year*
6. *Robbie Barr was appointed on 28 March 2022*
7. *Dr Steven Hajioff was appointed on 28 March 2022*

Time Commitment

The time commitment expected of the Non-Executive Directors is set out in their letters of appointment. The nature of the role makes it difficult to place a specific time commitment however, a minimum of one day per month is what the Company anticipated as reasonable for the proper performance of duties. Directors are expected to attend all Board and Committee meetings.

Board experience, skills and capabilities (Principle 6)

The biographies of the current Directors can be found on pages 17 and 18.

Board balance

The Nomination Committee identifies and nominates, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee also has responsibility to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes. The Nomination Committee meets as and when required. The Nomination Committee is also responsible for succession planning of the executive leadership team.

At 31 December 2022, the Board was composed of 5 men and 2 women. Following Kathleen Long's resignation and the appointment of Jonathan Turner, the Board at the date of this report comprises 6 men and 1 woman.

Training and Development

Directors are encouraged to continue their ongoing professional development. The Company Secretary provides updates on governance and regulatory matters at each Board meeting. The Nomad has also provided training in the year and all directors were provided training from the legal advisers prior to admission.

Induction

On joining the Board, Directors receive an induction programme including meetings with members of the Board and senior management, access to Board and Committee papers, minutes, Company procedures and policies and meetings with relevant external advisers including the Company's Nomad.

External Advisers

The Board had access to CMS Cameron McKenna Nabarro Olswang LLP, as legal advisors to the Company and to Canaccord Genuity Limited as Nominated Adviser and Broker to the Company.

Board Evaluation (principle 7)

During the year, the Board Evaluation process was limited to an ongoing informal evaluation of the performance of the Board and individual directors undertaken by the Chairman. This has now been replaced by a formal, annual evaluation process now that the Company has completed its first year post the acquisition. An evaluation using anonymised questionnaires is currently in progress and will be reported on in the next Annual Report.

Corporate Culture (principle 8)

Morality and ethics are central to the Company's values and define how the Company and its employees interact with all stakeholders of the business to ensure the Company builds an impactful and enduring organisation, which benefits both its shareholders and wider society.

The Company's employee handbook, which is provided and read by all employees as part of their induction, provides further specific detail of the policies in place to promote and support ethical behaviour and values.

Governance Structures (principle 9)

The appropriateness of the Board's structures and processes are reviewed through the ongoing Board process and on an ad hoc basis by the Non-Executive Chairman together with the other Directors and Company Secretary, and these will evolve in parallel with the Company's objectives, strategy and business model as the Company develops.

The Board has delegated specific responsibilities to various Committees as follows:

- The Nomination Committee is responsible for receiving and recommending changes to the composition of the Board and its Committees.
- The Remuneration Committee is responsible for overseeing the overall remuneration policy for the Group and the remuneration of the Executive Directors.
- The Audit Committee is responsible for overseeing financial performance, financial risk, internal controls and external audit.

Each of these committees have their own terms of reference which are available on the Company's website.

Communication on governance (principle 10)

The Company is committed to open communications with all its stakeholders. Our approach to communication with shareholders and stakeholders is explained under Principle 2 and 3 above.

The Company communicates progress and material developments throughout the year through regulatory news service announcements (both regulatory and non-regulatory) and in more detail in its interim financial statements and annual report and accounts. The Company's website provides information about our business activities and other news along with access to all regulatory announcements and copies of various Company documents. Results of shareholder votes are made public on the Company's website after the meetings concerned.

Alexander Anton
Chairman

2 June 2023

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

AUDIT COMMITTEE REPORT
Report of the Audit Committee
For the year ended 31 December 2022

AUDIT COMMITTEE MEMBERS

The Audit Committee members during the year ended 31 December 2022 were:

David Firth (Audit Committee Chair)

Benjamin Shaw (resigned 28 March 2022)

Liz Shanahan

Robbie Barr (appointed 28 March 2022)

The Committee Chairman, David Firth, has extensive financial experience and is a Chartered Accountant.

The Audit Committee meets as often as it deems necessary but, in any case, at least twice a year. These meetings are scheduled at appropriate intervals in the reporting and audit cycle. During the year the Committee met four times. Details of attendance can be found on page 21.

Although only members of the Committee have the right to attend meetings, standing invitations are extended to the CFO who attends meetings as a matter of practice. The external auditors also usually attend the meetings and also have the opportunity to meet with the Committee without the executive management present.

Duties

The main duties of the Audit Committee are set out in its Terms of Reference and include the following:

- To monitor the integrity of the financial statements of the Company, including its annual and half-year reports;
- To review the Going Concern status of the Company;
- To review and challenge where necessary the consistency of and any changes to accounting policies, the methods used to account for significant or unusual transactions and whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor, and all material information presented with the financial statements;
- To keep under review the effectiveness of the Company's internal control and risk management systems and to review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- To regularly review the need for an internal audit function;
- To consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Company's external auditor;
- To oversee the relationship with the external auditor including approval of their remuneration, approval of their terms of engagement, annual assessment of their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- To meet regularly with the external auditor and at least once a year, without management present to discuss any issues arising from the audit; and
- To review and approve the Audit Plan and review the findings of the audit.

Activity during the year

The principal areas of focus for the Committee during the period included the following items:

- Review of internal controls;
- Consider the need for internal Audit;
- Review of the external auditors' report and significant issues from the audit report (full year and half year);
- Areas of accounting interest;
- Review of the half-year Report;
- Annual review of the Committee terms of reference;

- Review of the Annual Report and financial statements;
- Approval of the Audit Report;
- Consideration of the principal risks and uncertainties;
- Approval of the management representation letter; and
- Review of the independence of the auditors, review of auditors' fees and engagement letter.

Role of the external auditors

The Audit Committee monitors the relationship with the external auditors, RSM UK Audit LLP, to ensure that the auditors' independence and objectivity are maintained.

Audit effectiveness and reappointment

The Committee assesses the independence of the external auditors and the effectiveness of the external audit process before making recommendations to the Board in respect of their appointment or reappointment. In assessing independence and objectivity, the Committee considers the level and nature of services provided by the external auditors as well as confirmation from the external auditors that they have remained independent within the meaning of the FRC Revised Ethical Standard 2019 for auditors.

The Committee's assessment of the external auditors' independence took into consideration the non-audit services provided during the period. The Committee concluded that the nature and extent of the non-audit fees did not compromise the independence of the auditors.

Having reviewed the auditors' independence and performance, the Audit Committee is recommending that RSM UK Audit LLP be reappointed as the Company's auditors at the next Annual General Meeting.

Audit process

The external auditors prepare an Audit Plan for their review of the full year financial statements. The Audit Plan sets out the scope of the audit, areas to be targeted and audit timetable. Following their review, the auditors present their findings to the Audit Committee for discussion.

Internal audit

The Group has assessed the need for an internal audit function and it is considered that in light of the existing control environment within the business and the size of the business, there is currently no requirement for a separate internal audit function.

Internal Controls

The Board has overall responsibility for establishing and monitoring the Group's systems of internal control. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The Audit Committee is responsible for keeping under review the effectiveness of the Company's internal control and risk management systems. The Group maintains a comprehensive process of financial reporting. The annual budget is reviewed and approved by the Board before being formally adopted. Other key procedures that have been established and which are designed to provide effective control are as follows:

Board meetings -	holding regular Board meetings to discuss the matters reserved for its consideration;
Management reports -	receiving regular management reports that provide assessments of key risks and controls;
Management structure -	ensuring there is clear organisational structure with defined responsibilities and levels of authority; and
Policies and procedures -	ensuring there are documented policies and procedures in place and reviewing these regularly.

No significant deficiencies have come to light during the period and no weaknesses in internal financial control have resulted in any material losses, or contingencies which would require disclosure, as recommended by the guidance for directors on reporting on internal financial control.

David Firth
Chairman of the Audit Committee

2 June 2023

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Report of the Remuneration Committee
For the year ended 31 December 2022

This report does not constitute a Directors' Remuneration Report in accordance with the Directors' Remuneration Regulations 2007, which do not apply to the Company as its ordinary shares are admitted to AIM and do not have a Standard or Premium listing on the London Stock Exchange. This Report sets out the Company's policy on Directors' remuneration, including emoluments, benefits and other share-based awards made to each Director.

REMUNERATION COMMITTEE MEMBERS

The Remuneration Committee members during the year ended 31 December 2022 were:

David Firth (Remuneration Committee Chair)

Benjamin Shaw (resigned 28 March 2022)

Liz Shanahan (stepped down from the Committee 28 March 2022)

Alexander Anton (appointed 28 March 2022)

Robbie Barr (appointed 28 March 2022)

No Director plays a part in any discussion about their own remuneration.

DUTIES

The Remuneration Committee is responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Directors and senior management and to make recommendations to the Board on the framework for executive remuneration and its cost. The Remuneration Committee keeps under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company.

The terms of reference for the Remuneration Committee are available on the Company's website.

ACTIVITY DURING THE YEAR

The principal areas of focus for the Committee during year included the following items:

- Approval of the salary level for the proposed incoming CFO

- Approvals in principle of grants under the LTIP in preparation of formal grants in 2023;

DIRECTORS' REMUNERATION

Director	*Salary* £	*Loss of service* £	*Benefits in kind* £	*Pension* £	*31 December 2022 Total* £	*31 December 2021 Total* £
Alexander Anton[1]	38,266	-	-	-	38,266	4,508
Benjamin Shaw[2]	4,500	-	-	-	4,500	21,723
James Short[3]	246,150	-	-	-	246,150	-
David Firth[4]	44,440	-	-	-	44,440	30,161
Robbie Barr[5]	38,266	-	-	-	38,266	-
Dr Steven Hajioff[6]	34,786	-	-	-	34,786	-
Elizabeth Shanahan[7]	40,000	-	-	-	40,000	11,111
Kathleen Long[8]	56,154	-	-	-	56,154	-
Jonathan Turner[9]	-	-	-	-	-	-
	502,562	-	-	-	*502,562*	*67,503*

1. *Alexander Anton resigned 15 January 2021 and was re-appointed 28 March 2022*

2. *Benjamin Shaw resigned as Interim Chairman on 28 March 2022 – all the fees quoted above relate to the period 1 January – 28 March 2022*

3. *James Short was appointed on 28 March 2022 – the figure quoted is the combined figure for the services provided to Celadon Pharmaceuticals plc since March 2022, and Vertigrow from 1 January 2022 to 28 March 2022*

4. *David Firth was appointed on 17 September 2018 – of the fees quoted above, £11,100 relates to the period 1 January – 28 March 2022*

5. *Robbie Barr was appointed on 28 March 2022*

6. *Dr Steven Hajioff was appointed on 28 March 2022 – the figure quoted is the combined figure for services provided to Celadon Pharmaceuticals plc since March 2022, and Vertigrow from 1 January 2022 to 28 March 2022.*

7. *Elizabeth Shanahan was appointed on 21 September 2021 – of the fees quoted above, £10,000 relate to the period 1 January – 28 March 2022*

8. *Kathleen Long was appointed on 28 March 2022 and resigned on 17 January 2023*

9. *Jonathan Turner was appointed on 17 January 2023*

Subsidiary Incentive Scheme

The Directors believe that the success of the Company will depend to a high degree on the future performance of key employees and advisers in executing and supporting the Company's growth strategy. The Company has therefore established equity-based incentive arrangements which are, and will continue to be, an important means of retaining, attracting and motivating key employees and also for aligning the interests of the Directors with those of Shareholders.

On 12 October 2018, Summerway Subco Limited (now known as Celadon Subco Limited) (the "Subsidiary") was incorporated to implement the Subsidiary Incentive Scheme for the Executive Directors of the Company.

Under the Subsidiary Incentive Scheme, participants are only rewarded if a predetermined level of Shareholder value is created over a three-year period, a five-year period, or upon a change of control of the Company (whichever occurs first), which is calculated by reference to the growth in market capitalisation of the Company, following adjustments for the issue of any new Ordinary Shares and taking into account dividends and capital returns.

From 15 January 2021, participants were entitled to up to 20 per cent of the shareholder value created, subject to such shareholder value having increased by 7.5 per cent per annum compounded over a period of between three and five years from 15 January 2021 or following a change of control of the Company or the Subsidiary.

On 28 March 2022, the Company amended its Subsidiary Incentive Scheme as a result of the completion of the acquisition of Vertigrow. This included the redemption and issuance of B Shares to certain existing and new participants to tie in and incentivise those Directors, employees, consultants and advisers that are expected to be instrumental in the delivery of shareholder value under the new healthcare and pharmaceutical strategy. The 400,000 Subsidiary B shares that were held by participants under the Subsidiary Incentive Scheme that commenced on 15 January 2021 had their shares converted to B1 shares. B2 shares were issued to advisers of the Company and B3 shares were issued to selected management of the Company.

A summary of these amendments and the entitlement of each B share category are set out below.

Item	Previous Subsidiary Incentive Scheme	Amended Subsidiary Incentive Scheme
Date in place	15 January 2021 to 28 March 2022	From 28 March 2022
Percentage of Shareholder Value available to Scheme Participants (pre acquisition of, or investment in operating company)	Up to 20 per cent.	16.5 per cent.
Target compound annual growth rate hurdle	7.5 per cent.	B1 Shares – 7.5 per cent. B2 / B3 Shares – 17.5 per cent.
Commencement date	15 January 2021	B1 Shares – 15 January 2021 B2 / B3 Shares – 28 March 2022
Initial Value	£7.6 million	B1 – £96.3 million B2 – £81.8 million B3 – £101.8 million
Vesting period	3 to 5 years from 15 January 2021	B1 – 3 to 5 years from 15 January 2021 B2 / B3 – 3 to 5 years from 28 March 2022

Item	Previous Subsidiary Incentive Scheme	Amended Subsidiary Incentive Scheme
Scheme Participants, respective B Share holdings and current aggregate Shareholder Value participation	Alexander Anton – 75,000 Benjamin Shaw – 75,000 Mark Farmiloe – 75,000 Tony Morris – 175,000 Vin Murria – 1,000,000 Paul Gibson – 50,000	Alexander Anton – 241,666 Benjamin Shaw – 241,667 Mark Farmiloe – 241,667 Tony Morris – 125,000 Paul Gibson – 50,000 James Short – 200,000 Kathleen Long – 150,000 Arthur Wakeley – 300,000 Iqbal Gill – 100,000 **Aggregated – 1,650,000**

Celadon Pharmaceuticals plc Long Term Incentive Plan

At readmission on 28 March 2022 the Company put in place a Long Term Incentive Plan (LTIP) for certain other key employees of, and consultants to the Company. Awards under the LTIP consist of contingent rights or options to acquire Ordinary Shares for the subscription price equal to their nominal value (that is, £0.01 per Ordinary Share). No grants were made under the LTIP during the year ended 31 December 2022. On 8 February 2023 to allow employees to benefit from a tax efficient option plan the Board approved an Enterprise Management Incentive (EMI) Sub-Plan of the LTIP. Grants were made to certain employees under this EMI sub-plan in February 2023.

Approval

The report was approved by the Remuneration Committee and signed on its behalf by:

David Firth
Remuneration Committee Chair and Independent Non-Executive Director

2 June 2023

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Report of the Directors
For the year ended 31 December 2022

The Directors of the Company present their report for the year ended 31 December 2022. Particulars of important events affecting the Company and its subsidiary and likely future developments may be found in the Strategic Report on pages 2 to 16.

DIRECTORS

The Directors during the period and summaries of their experience are set out on pages 17 and 18. The Directors who held office during the period and their beneficial interest in the share capital of the Company at 31 December 2022 were as follows:

	31 December 2022
Alexander Anton (appointed 28 March 2022)	1,319,569
Benjamin Shaw (resigned 28 March 2022)	500,000
James Short (appointed 28 March 2022)	26,046,928
Robbie Barr (appointed 28 March 2022)	45,454
David Firth	12,121
Dr Steven Hajioff (Appointed 28 March 2022)	-
Liz Shanahan (appointed 21 September 2021)	-

DIVIDENDS

No dividends were paid during the period or declared as at the date of this report (2021: Nil)

SHARE CAPITAL

Following the completion of the £8.5 million placing associated with the acquisition of Vertigrow, which occurred on 28 March 2022, certain institutional and other investors subscribed for 5,151,516 ordinary shares of 1p at a price of 165p per ordinary share. In addition, a further 48,484,848 ordinary shares of 1p were issued to the shareholders of Vertigrow to settle the £80 million consideration being paid by the Company pursuant to its acquisition of Vertigrow's fully diluted share capital.

Application was made to the London Stock Exchange for these shares to be admitted to trading on AIM effective 28 March 2022.

As at 16 May 2023, the total number of ordinary shares of 1p in issue was 61,669,773 and the total number of voting rights was 61,669,773. Details of the Company's share capital are set out in Note 37. The Company's share capital consists of one class of ordinary share, which does not carry rights to fixed income. Ordinary shareholders are entitled to receive notice and to attend and speak at general meetings. Each shareholder present in person or by proxy (or by duly authorised corporate representatives) has, on a show of hands, one vote. On a poll, each shareholder present in person or by proxy has one vote for each share held.

Other than the general provisions of the Articles (and prevailing legislation) there are no specific restrictions on the size of a holding or on the transfer of the ordinary shares. The Directors are not aware of any agreements between holders of the Company's shares that may result in the restriction of the transfer of securities or on voting rights. No shareholder holds securities carrying any special rights or control over the Company's share capital.

SUBSTANTIAL SHAREHOLDERS

As at 16 May 2023, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights.

Name	*Shareholding*	*Percentage*
James Short	26,046,928	42.2%
Cormac Short	4,525,403	7.3%
Paul Allen	4,525,403	7.3%
CGWL Nominees Limited	4,531,189	7.3%
Jonathan Rickard	2,251,388	3.7%
JIM Nominees Limited	1,902,962	3.1%

SUBSIDIARY SHARE BUYBACK

On 11 April 2022 the Company bought back 1,000,000 B Shares of Celadon Subco Limited from Vin Murria, former Chairman of the Company, and 50,000 B Shares of Celadon Subco Limited from Tony Morris, former Non-Executive Director of the Company. Both buybacks were completed at a price of £0.014 per B Share resulting in total consideration of £14,700. (See note 28).

DIRECTORS' INDEMNIFICATION AND INSURANCE

The Company's Articles of Association provide for the Directors and Officers of the Company to be appropriately indemnified, subject to the provisions of the Companies Act 2006. The Company purchases and maintains insurance for the Directors and Officers of the Company in performing their duties, as permitted by section 233 of the Companies Act 2006.

RESEARCH AND DEVELOPMENT EXPENDITURE

In addition to the work undertaken by the in-house R&D team on exploring opportunities to broaden the Company's product range of advance medicines referred to in the CEO report, the Group also continued to expand on its research and development programme to increase the yield from its cultivation activities.

POLITICAL CONTRIBUTIONS

The Company has made no political contributions during the period.

CHARITABLE DONATIONS

The Company has made no charitable donations during the period.

POST BALANCE SHEET EVENTS

Details of post balance sheet events are disclosed in Note 31.

DISCLOSURE IN THE STRATEGIC REPORT

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information in the Group Strategic Report which would otherwise be required to be contained in the Report of the Directors in accordance with Section 416 of the Companies Act 2006:

- Outlook
- Risk management, including financial risk management and non-financial risk management.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted International Accounting Standards and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 for that period.

In preparing each of the group and company 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;
- for the group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the 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 the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Celadon Pharmaceuticals Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITOR

The auditor, RSM UK Audit LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD

Alexander Anton
Chairman

2 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CELADON PHARMACEUTICALS PLC

Opinion

We have audited the financial statements of Celadon Pharmaceuticals Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated cashflow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 December 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 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 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.

Summary of our audit approach

Key audit matters	**Group** ● Reverse acquisition accounting treatment ● Business Combinations **Parent Company** ● No Key Audit Matters
Materiality	**Group** ● Overall materiality: £419,000 ● Performance materiality: £314,000 No comparatives given as first year audit of the group. **Parent Company** ● Overall materiality: £35,900 (2021: £64,100) ● Performance materiality: £26,900(2021: £48,000)
Scope	Our audit procedures covered 100% of revenue, 100% of total assets and 100% of loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company 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 group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reverse Acquisition of Celadon Pharmaceuticals Plc, formerly Summerway Capital Plc, Accounting Treatment

Key audit matter description	*(Refer to page 42 regarding the accounting policy in respect of Reverse Acquisition of Celadon Pharmaceuticals Plc, formally Summerway Capital Plc and creation of the Celadon Pharmaceuticals Plc group of companies, page 48 regarding critical accounting judgements and estimates and note 5 relating to the acquisition of Celadon Property Co Limited).* On 28 March 2022, Summerway Capital Plc (subsequently renamed Celadon Pharmaceuticals Plc) (the "Company") acquired through a share for share exchange, the entire share capital of Vertigrow Technology Limited (subsequently named Celadon Property Co Limited) and its subsidiary companies Celadon Pharma Limited and Harley Street (CPC) Limited (together the "Vertigrow Group"). Although the transaction resulted in the Vertigrow Group becoming a wholly owned subsidiary group of the Company, the transaction is considered to be a reverse acquisition, as the previous shareholders of Vertigrow Technology Limited own a substantial majority of the Ordinary Shares of the Company and the executive management of Vertigrow Technology Limited became the executive management of the Company. In substance, the shareholders of Vertigrow Technology Limited acquired a controlling interest in Summerway Capital Plc and the transaction has therefore been accounted for as a reverse takeover. As Summerway Capital Plc's activities prior to the acquisition were purely the maintenance of the AIM Listing, acquiring Vertigrow Technology Limited and raising equity finance to provide the required funding for the operations of the acquisition, it is considered as to not meet the definition of a business in accordance with IFRS 3 *Business Combinations*. Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 *Consolidated Financial Statements* and prepare consolidated financial statements. The Directors intend to prepare the financial statements using a reverse takeover methodology, which results in not recognising goodwill, with the difference between the equity value given up by the Vertigrow Technology Limited's shareholders and the share of the fair value of net assets gained by the Vertigrow Technology Limited's shareholders being charged to the statement of comprehensive income as a share based payment on reverse acquisition and represents in substance the cost of acquiring an AIM listing.
How the matter was addressed in the audit	For our testing on the acquisition during the period, we have: 1. Obtained and reviewed management's acquisition accounting paper to determine whether the transaction constitutes a business combination under the scope IFRS 3 or a Share based payment under IFRS 2 *Share based payments* and the impact on the financial reporting. We will determine whether that the treatment is in accordance with International Financial Reporting Standards. 2. Obtained and agreed to the Sale and Purchase Agreement and bank statements. 3. Reviewed and obtained evidence regarding the fair value of consideration and assets. 4. Recalculation of the share-based payment charge and reverse acquisition reserve.

Business Combinations

Key audit matter description	*(Refer to page 43 regarding the accounting policy in respect of Business Combinations, page 48 regarding critical accounting judgements and estimates and note 13 relating to the acquisition of Celadon Pharma Limited and initial acquisition of Harley Street (CPC) Limited).* On 1 January 2020, Vertigrow Technology Limited acquired 100% of the share capital for Celadon Pharma Limited for £2, together with the assumed liabilities generated goodwill of £80,297. On 14 July 2021, Vertigrow Technology Limited acquired 57.5% of the issued share capital of Harley Street (CPC) Limited ("HSCPCL"), which is in the advanced stages of obtaining MHRA and Research Ethics Committee ("REC") approval for a UK-based cannabis trial for a maximum consideration of £2,000,000. £500,000 was paid in cash on completion with a contingent consideration payment of £1,500,000 due in ordinary shares of the Company in the event that: a) each of MHRA and REC authorise the trial in full; and b) 5,000 paying patients of the Company's clinic are accepted onto the trial and receive their first prescriptions under the Trial within 18 months of completion of the acquisition of HSCPCL.

The £1,500,000 contingent consideration payment was estimated to have an acquisition date fair value of £374,768 based upon 6.2% discount rate and management's probability estimate of the payment criteria being satisfied.

At 30 June 2022, the Directors reassessed that the targets for the contingent consideration payment would not be met within the time frame set, and released the contingent consideration liability back to consolidated statement of comprehensive income.

How the matter was addressed in the audit

For our testing on all business combinations during the period and prior period, we have:

1. Obtained and reviewed management's acquisition accounting paper in relation to the acquisitions to determine whether the treatment of the acquisition entries and any fair value adjustments are appropriate and in accordance with IFRS 3 *Business Combinations*.
2. Compared the consideration paid to sale and purchase agreements and bank statements.
3. Reviewed and obtained evidence in respect of the fair value adjustments, in particular for the recognition of separately identifiable intangible assets.
4. Obtained management's independent valuation of separately identifiable intangibles and engaged with our internal valuations team to evaluate the reasonableness of the model adopted.
5. Inspected financial statement disclosures in relation to the acquisition, determining whether disclosures are in accordance with IFRS 3.

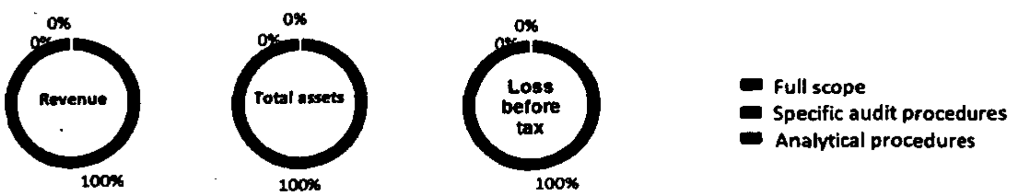
Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£419,000 No comparative given first year audit.	£35,900 (2021: £64,100)
Basis for determining overall materiality	5% of Loss before Tax less exceptional costs.	5% of Loss Before Tax less exceptional costs.
Rationale for benchmark applied	Loss before tax has been identified as a key benchmark, with one off exceptional costs removed	Loss before tax has been identified as a key benchmark, with one off exceptional costs removed
Performance materiality	£314,000	£26,900
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £20,900 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £1,790 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 5 components, all of which are based in the UK.
The coverage achieved by our audit procedures was:



Full scope audits were performed for 5 components.

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	5	100%	100%	100%

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 consideration of the cash flow forecasts and scenario analysis present and headroom provided by existing funding facilities.

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 the 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.

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 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.

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 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 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 set out in pages 29 and 30, 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 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.

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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
IFRS/FRS101 and Companies Act 2006 and AIM Rule 19 relating to the preparation of annual accounts	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue	Testing a sample of sales recorded in the year and corroborating to underlying sales documentation;
	Testing the cut-off of revenue recognised in the year by corroborating to evidence of the timing of dispatch of sales for a sample recorded close to the year end.
Management override of controls	*Testing the appropriateness of journal entries and other adjustments;*
	Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
	Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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/auditorsresponsibilities. 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.

G Bond

Graham Bond FCA *(Senior Statutory Auditor)*
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
14th Floor
20 Chapel Street,
Liverpool
L3 9AG

2 June 2023

7

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2022

	Note	2022 £000	Unaudited 2021 £000
Revenue	7	24	2
Cost of sales		(90)	(12)
Gross Loss		**(66)**	**(10)**
Operating costs		(4,849)	(2,384)
Depreciation and amortisation	13,14,15	(466)	(319)
Operating loss		**(5,381)**	**(2,713)**
Share-based payment costs for reverse acquisition	5	(6,400)	-
Other acquisition costs	5	(1,465)	(777)
Finance Costs	10	(23)	(1,115)
Non-cash movements relating to Harley Street (CPC) Limited	13	(264)	-
Finance charge on convertible loan note	22		
- Interest and charges		(43)	(191)
- Redemption		(3,406)	-
Long term incentive plans	27	(1,136)	-
		(12,737)	(2,083)
Loss before taxation		**(18,118)**	**(4,796)**
Taxation	11	707	13
Loss for the period, being total comprehensive loss for the period		**(17,411)**	**(4,783)**
Loss attributable to:			
Owners of the Company		(17,006)	(4,628)
Non-controlling interests		(405)	(155)
		(17,411)	**(4,783)**
Basic and diluted loss per share		(29.5p)	(10.5p)

The Group's activities derive from continuing operations.

The notes on pages 41 to 72 form part of these financial statements.

7

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Consolidated Statement of Financial Position
As at 31 December 2022

	Note	2022 £000	Unaudited 2021 £000
Non-current assets			
Intangible assets	13	428	1,167
Property, plant and equipment	14	2,921	1,021
Right-of-Use Assets	15	3,354	2,285
Investments	16	218	200
Total non-current assets		**6,921**	**4,673**
Current assets			
Inventories	18	20	2
Trade and other receivables	19	1,249	264
Cash and cash equivalents	20	5,061	3,823
Total current assets		**6,330**	**4,089**
Current liabilities			
Trade and other payables	21	(1,106)	(751)
Loans and borrowings	22	(10)	(2,170)
Convertible loan notes	22	-	(4,925)
Lease liabilities	22	(56)	(338)
Contingent consideration	13, 5	-	(375)
Deferred tax liability	23	(25)	(25)
Total current liabilities		**(1,197)**	**(8,584)**
Non-current liabilities			
Loans and borrowings	22	(24)	(1,567)
Lease liabilities	22	(4,542)	(2,920)
Provisions	25	(389)	-
Deferred tax liability	23	(62)	(87)
Total non-current liabilities		**(5,017)**	**(4,574)**
Net assets/liabilities		**7,037**	**(4,396)**
Shareholder's Equity			
Share capital	26	617	80
Share premium	26	22,553	7,367
Merger relief reserve	26	65,082	-
Reverse acquisition reserve	26	(59,200)	(5,835)
Warrant reserve	26	471	-
Capital redemption reserve	26	49	49
Share based payment reserve	28	910	-
Retained earnings		(22,807)	(5,801)
Equity attributable to owners of the Group		**7,675**	**(4,140)**
Non-controlling interest		(638)	(256)
Total Equity		**7,037**	**(4,396)**

The notes on pages 41 to 72 form part of these financial statements.

The financial statements of Celadon Pharmaceuticals plc were approved by the Board of Directors on 2 June 2023 and were signed on its behalf by:

James Short - *Director*

Jonathan Turner - *Director*

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Consolidated Statement of Changes In Equity
For the year ended 31 December 2022

	Share Capital £000	*Share premium £000*	*Merger relief reserve £000*	*Reverse acquisition reserve £000*	*Warrant reserve £000*	*Capital Redemption reserve £000*	*Share based payment reserve £000*	*Retained earnings £000*	*Equity attributable to owners of the parent £000*	*Non-controlling interest £000*	*Total equity £000*
Balance at 31 August 2020 (unaudited)	**61**	**5,711**	**-**	**(4,549)**	**-**	**49**	**-**	**(1,173)**	**99**	**-**	**99**
Issue of shares in Summerway Capital Plc	19	1,656	-	(1,675)	-	-	-	-	-	-	-
Movement on Reverse Acquisition Reserve	-	-	-	389	-	-	-	-	389	-	389
Acquisition of 57.5% of Harley Street (CPC) Limited	-	-	-	-	-	-	-	-	-	(101)	(101)
Loss for the period	-	-	-	-	-	-	-	(4,628)	(4,628)	(155)	(4,783)
Total movement for the period	*19*	*1,656*	*-*	*(1,286)*	*-*	*-*	*-*	*(4,628)*	*(4,239)*	*(256)*	*(4,495)*
Balance at 31 December 2021 (unaudited)	**80**	**7,367**	**-**	**(5,835)**	**-**	**49**	**-**	**(5,801)**	**(4,140)**	**(256)**	**(4,396)**
Recognition of PLC Net Assets at acquisition date	-	-	-	5,751	-	-	-	-	5,751	-	5,751
Issue of shares for acquisition of subsidiary	433	-	65,082	(65,515)	-	-	-	-	-	-	-
Subsidiary Incentive Share issue	-	-	-	-	-	-	-	-	-	23	23
Share-based payment charge	-	-	-	6,399	226	-	910	-	7,535	-	7,535
Settlement of convertible loan notes of Vertigrow Technology Limited	52	7,765	-	-	-	-	-	-	7,817	-	7,817
Issue of shares for cash	52	8,448	-	-	-	-	-	-	8,500	-	8,500
Cost of share issue	-	(1,009)	-	-	-	-	-	-	(1,009)	-	(1,009)
Warrants issued	-	(18)	-	-	245	-	-	-	227	-	227
Loss for the period	-	-	-	-	-	-	-	(17,006)	(17,006)	(405)	(17,411)
Total movement for the period	537	15,186	65,082	(53,365)	471	-	910	(17,006)	11,815	(382)	11,433
Balance at 31 December 2022	**617**	**22,553**	**65,082**	**(59,200)**	**471**	**49**	**910**	**(22,807)**	**7,675**	**(638)**	**7,037**

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Consolidated Cash Flow Statement
For the year ended 31 December 2022

	Note	2022 £000	Unaudited 2021 £000
Cash flows from operating activities			
Loss for the period		(17,411)	(4,783)
Adjustments for:			
Depreciation and amortisation		466	319
Finance charges on leased assets		532	384
Finance charge on convertible loan notes		43	151
Final conversion of convertible loan notes		3,406	-
Convertible loan transaction costs		-	40
Fair value (loss)/gain on derivative liability		(556)	660
Finance charge on loans		53	71
Long term incentive plan		910	-
Warrant costs		471	-
Reverse acquisition share-based payment		6,400	-
Non-cash movements in respect of Harley Street (CPC) Limited		264	-
Release of deferred tax liability on intangible assets		(25)	(13)
Other finance cost (net)		(5)	-
Operating cash flow before working capital movements		(5,452)	(3,171)
(Increase)/decrease in trade and other receivables		(985)	171
Increase/(decrease) in trade and other payables		355	(148)
(Increase)/decrease in inventories		(18)	-
Cash outflow from operating activities		(6,100)	(3,148)
Investing activities			
Cash acquired on reverse acquisition	5	3,494	-
Acquisition of Harley Street (CPC) Limited		-	(500)
Net expenditure on purchase of property, plant and equipment		(2,086)	(542)
Purchase of investments		(18)	(200)
Net cash inflow/(outflow) from investing activities		1,390	(1,242)
Financing activities			
Interest received/(paid)		17	(1)
Repayment of Lease Liabilities		(8)	-
Proceeds from convertible loan notes (net of costs)		-	4,074
Supplier loan – interest payment		(41)	-
Supplier loan – (repayment)/proceeds		(1,500)	1,500
Bounce Back loan – repayment		(11)	(6)
Proceeds on issuing share capital, net of issue costs		7,491	389
Intercompany funding prior to reverse acquisition		-	2,125
Debt repayment		-	(168)
Net cash inflow from financing activities		5,948	7,913
Net increase in cash and cash equivalents		1,238	3,523
Cash and cash equivalents at 1 January		3,823	300
Cash and cash equivalents at 31 December		5,061	3,823

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

1. ABOUT CELADON PHARMACEUTICALS PLC

Celadon Pharmaceuticals Plc (the "Company") and its subsidiaries (together "the Group") are a UK based pharmaceutical group with a primary focus on growing indoor hydroponic high-quality cannabis initially for use within the chronic pain market.

The Company (called Summerway Capital Plc until 25 March 2022) is a public limited company incorporated in England and Wales and domiciled in the United Kingdom (company number: 11545912). It is a public company listed on the AIM market of the London Stock Exchange. The registered address is 32-33 Cowcross Street, London, EC1M 6DF.

On 28 March 2022, the Company completed the acquisition of Vertigrow Technology Limited (and its subsidiaries Celadon Pharma Limited and Harley Street (CPC) Limited) and the settlement of the Vertigrow Technology Limited convertible loan notes via an issuance of new shares. Vertigrow Technology Limited was renamed Celadon Property Co Limited on 3 January 2023 – the company's new name will be used in the following. Further details on this transaction and the subsequent Group structure is included at notes 5 and 17 respectively.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with UK-adopted international accounting standards (UK adopted IAS). The Consolidated Financial Statements have been prepared under the historical cost convention and modified where necessary to use a different measurement basis where necessary to comply with IFRS. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently for all periods presented in these Consolidated Financial Statements.

The consolidated financial statements are presented in Pound Sterling (£) which is the functional currency of the Company and the presentation currency of the Group and all values are rounded to the nearest Pound Sterling thousand (£000s).

A. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary undertakings). Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those of the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

B. GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The Group currently consumes cash resources and will continue to do so as it completes the construction of its growing facilities and until sales revenues are sufficiently high enough to generate net cash inflows.

In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant information about the current and future position of the Group and including the current level of resources.

At 31 December 2022 the Group had £5.1 million of cash and net assets of £7.1 million. In addition on 29 May 2023, the Group entered into a 2 year £7.0m Revolving Credit Facility to provide additional liquidity for operating and capital expenditure.

Having prepared budgets and cash flow forecasts covering the going concern until June 2024 which have been stress tested, by creating a number of different scenarios in which a number of the assumptions were adversely tweaked down – such as to assume: a) a 6 month delay in revenue arising; b) cost increases of more than 10% and c) a combination of the two, the Directors believe the Group has sufficient resources to meet its obligations for a period of at least 12 months from the date of approval of these financial statements.

Taking these matters into consideration, the Directors consider that the continued adoption of the going concern basis is appropriate having prepared cash flow forecasts for the coming 12 months. The financial statements do not reflect any adjustments that would be required if they were to be prepared on a non going concern basis.

3. ACCOUNTING POLICIES

Details of significant accounting policies are set out below.

A. *REVERSE ACQUISITION OF SUMMERWAY CAPITAL PLC AND CREATION OF THE CELADON PHARMACEUTICALS PLC GROUP OF COMPANIES*

On 28 March 2022 the Company, then named Summerway Capital Plc, became the legal parent of Celadon Property Co Limited.

Summerway Capital Plc was renamed Celadon Pharmaceuticals Plc.

The results for the year ended, and as at 31 December 2022 are those of Celadon Property Co Limited group from 1 January 2022 to 31 December 2022 with the inclusion of the Celadon Pharmaceuticals Plc group at the acquisition date of 28 March 2022 through to 31 December 2022.

The comparative results for the year ended and as at 31 December 2021 represent the consolidated position of the Celadon Property Co Limited group of companies *prior* to the reverse acquisition.

This transaction is deemed outside the scope of IFRS 3 *Business Combinations (Revised 2008)* ("IFRS 3") and not considered a business combination because the directors have made a judgement that prior to the transaction, that Celadon Pharmaceuticals Plc was not a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3.B7-B12 due to that company being a company that had no processes or capability for outputs (IFRS 3.B7).

On this basis, the Directors have developed an accounting policy for this transaction, applying the principles set out in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* ("IAS 8") paragraphs 10-12, in that the policy adopted:

- Provides more relevant financial information to users of these statements;
- Is more representative of the performance, financial position, and cash flows of the Group;
- reflects the economic substance of the transaction, not merely the legal form; and
- Is free from bias, prudent and complete in all material aspects.

The accounting policy adopted by the Directors applies certain principles of IFRS 3 in identifying the *accounting acquirer* (Celadon Property Co Limited) and the presentation of the consolidated financial statements of the *legal acquirer* (Celadon Pharmaceuticals Plc) as a continuation of the *accounting acquirer's* financial statements (Celadon Property Co Limited).

This policy reflects the commercial substance of this transaction as:

- the original shareholders of Celadon Property Co Limited are the most significant shareholders after the business combination and initial public offering, owning 86 per cent of the issued share capital; and
- the executive management team of Celadon Property Co Limited became the executive management of Celadon Pharmaceuticals Plc.

Accordingly, the following accounting treatment and terminology has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiary Celadon Property Co Limited group are recognised and measured in the group financial statements at the pre-combination carrying amounts, without reinstatement to fair value;
- the retained earnings and other equity balances recognised in the group financial statements reflect the retained earnings and other equity balances of the Celadon Property Co Limited group immediately before the business combination; and
- the results of the period from 1 January 2022 to 28 March 2022 are those of the Celadon Property Co Limited group.

However, in the Group financial statements:

- the equity structure presented, reflects the equity structure of the legal parent (Celadon Pharmaceuticals Plc), including the equity instruments issued under the share-for-share exchange to effect the business combination; and
- the cost of the combination has been determined from the perspective of Celadon Property Co Limited group.

Transaction costs of equity transactions relating to the issue and re-admission of the Company's shares, are accounted for as a deduction from equity where they relate to the issue of new shares, and listing costs are charged to the consolidated statement of comprehensive income. See note 5 for further explanation.

B. ACQUISITION OF CONTROLLING SHAREHOLDING IN HARLEY STREET (CPC) LIMITED

On 14 July 2021, Celadon Property Co Limited acquired a 57.5% shareholding in Harley Street (CPC) Limited for £2.0 million, of which £500,000 was paid in cash and £1,500,000 of contingent consideration was to be paid in shares in December 2022 (subject to certain targets being achieved).

In addition to acquiring the share ownership Celadon Property Co Limited had the ability to appoint four directors to the board of Harley Street (CPC) Limited compared with two from the other investor. Celadon also exercised operational control of the business. Given the degree of control, it is appropriate to include Harley Street (CPC) Limited as part of the consolidation and reflect the ownership by third parties as a non-controlling interest.

C. REVENUE RECOGNITION

At this stage of the Group's development, revenues relate solely to the provision of services and products to patients engaged on the feasibility study in advance of the clinical trial with Harley Street (CPC) Limited.

Patients engaged on this feasibility study are required to pay an initial fee on joining the trial and a monthly fee thereafter in relation to the subsequent provision of clinical products.

Revenue is measured based on the completion of the performance obligations that are identified and satisfied as outlined below:

- for the initial fees paid by patients on joining the study, the performance obligations are to provide an initial suitability screening test and to determine if the patient is suitable. Revenue is recognised, at a point in time, on provision of the screening test kit to the patient, with the related costs of test kits recognised in cost of sales.
- *for the subsequent monthly fees paid by patients on the study, the performance obligation is to provide monthly supplies of* filled cartridges containing medicinal cannabis. Revenue is recognised on delivery of these supplies to the patient. The contracts with patients do not include any fixed term or locked in periods, so monthly fees are only recognised on provision of the monthly supplies.

D. FINANCIAL INSTRUMENTS

Recognition and initial measurement

Financial assets and liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group's financial instruments comprise cash, trade and other receivables, unlisted investments, trade and other payables, convertible loan notes and embedded derivative, contingent consideration, and long-term incentive arrangements.

Financial instruments are initially measured at fair value which is deemed to be the transaction price. Transaction costs arising on the issue of financial asset or liability are included in the initial measurement if they are directly attributable to the acquisition of the instrument, and the instrument is not measured at FVTPL on an ongoing basis. Where the financial asset or liability is measured at FVTPL, transaction costs are immediately recognised in profit or loss.

Classification and subsequent measurement

The Group classifies and subsequently measures its financial instruments in the following measurement categories:

- Amortised cost:
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI") (financial assets only)

All recognised financial assets and liabilities are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification under one of these categories.

FINANCIAL ASSETS

Trade and other receivables

For purposes of subsequent measurement, trade and other receivables are classified as financial assets measured at amortised cost.

They are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Group will write-off financial assets, either in their entirety or a portion thereof, if there is no reasonable expectation of its recovery. A write-off constitutes a derecognition of a financial asset.

Cash and cash equivalents

The Group manages short-term liquidity through the holding of cash and highly liquid interest-bearing deposits. Only deposits that are readily convertible into cash with maturities of three months or less from inception, with no penalty of lost interest, are shown as cash and cash equivalents.

Unlisted Investments

The Group recognises unlisted equity investments at transaction cost which management believes approximates the fair value or measured based on discounted cashflow models if this is what has been used to determine if there has been an impairment.

Impairment of financial assets

An impairment loss allowance is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. This impairment loss allowance is reassessed at each reporting date.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured at FVTPL when (i) the financial liability is a contingent consideration to which IFRS 3 applies, or (ii) it is a derivative. Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss.

Trade and other payables

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Borrowings

Borrowings are classified as current liabilities unless the Group has an unconditional right and an intention to defer settlement of the liability for at least 12 months after the reporting date. Borrowings are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

Convertible Loan Notes

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The component parts of compound instruments, such as convertible loan notes, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement.

If the conversion feature of a convertible loan note does not meet the definition of an equity instrument, that portion is classified as an embedded derivative and measured accordingly. The debt component of the instrument is determined by deducting the fair value of the conversion option at inception from the fair value of the consideration received for the instrument as a whole. The debt component amount is recorded as a financial liability on an amortised cost basis using the effective interest rate method until extinguished upon conversion or at the instrument's maturity date.

Where debt instruments issued by the Group are repurchased or cancelled, the financial liability is derecognised at the point at which cash consideration is settled. Upon derecognition, the difference between the liability's carrying amount that has been cancelled and the consideration paid is recognised as a gain or loss in the Income Statement, net of any direct transaction costs.

Derivative financial instruments

Embedded derivatives in financial instruments or other host contracts that are not financial assets are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract are not measured at fair value through the profit or loss ("FVTPL"). Derivatives embedded in financial instruments that are closely related or other host contracts that are financial assets are not separated, instead the entire contract is accounted for either at amortised cost or fair value as appropriate.

Contingent Consideration

The Group is party to consideration arrangements in the form of contingent consideration. Contingent consideration is consideration that is contingent on a future event, usually the future performance of the acquired business. It is measured at its discounted present value and remeasured at each reporting date. The discount unwind and remeasurement of the liability is recognised in profit or loss as finance cost.

E. *EQUITY*

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Equity comprises the following:

- **Called up share capital** represents the nominal value of the equity shares.
- **Share Premium** *represents the excess over nominal value of the fair value of consideration received from the equity shares,* net of expenses of the share issue.
- **Capital Redemption Reserve** is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.
- **Merger Relief Reserve** *is a statutory, non-distributable reserve arising when conditions set out in section 612 of the Companies* Act occur and relate to the share-premium from shares issued to acquire Celadon Property Co Limited.
- **Retained Deficit** represents accumulated net gains and losses from incorporation recognised in the Statement of Comprehensive Income.
- **Reverse Acquisition Reserve** includes the accumulated losses incurred prior to the reverse acquisition and the share capital and share premium of Celadon Pharmaceuticals Plc (previously Summerway Capital Plc) at acquisition; the value of the shares issued to acquire all of the share capital of Celadon Property Co Limited; the value of share capital and share premium of Celadon Property Co Limited at acquisition; as well as the reverse acquisition share-based payment expense.
- **Warrant Reserve** *represents the fair value of warrants issued as part of an equity-based payment.*
- **Non-controlling Interest** represents (i) the accumulated net gains and losses of Harley Street (CPC) Limited attributable to the minority shareholder; and (ii) the amounts subscribed for the B Ordinary Shares of Celadon Subco Limited (previously Summerway Subco Limited) pursuant to the Group's long term incentive plan.

F. *RIGHT-OF-USE ASSETS*

Initial Recognition

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. In addition, at the lease commencement date the right-of-use asset incorporates the unavoidable costs to return the asset to its original condition, for which a corresponding amount is recognised in provisions.

Depreciation of right-of-use Assets

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as:

- Leasehold property - over 25 years
- Leased plant and equipment - over 3 to 5 years.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases (of less than 12 months) including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Please refer to note 15 for further information on the Group's lease arrangements.

G. *PROPERTY, PLANT AND EQUIPMENT*

Recognition and measurement

Property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Assets under construction is stated at cost, net of accumulated impairment losses, if any. Depreciation of assets under construction will commence from the date on which the asset becomes available for use. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Leasehold improvements - 10 to 25 years
- Plant and equipment - 3 to 10 years
- Office equipment and IT - 3 to 5 years
- Assets under construction – depreciation will commence when assets brought in to use.

H. *INTANGIBLE ASSETS*

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment loss.

Cost comprises the fair value of assets given, liabilities assumed, and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Impairment tests on Goodwill are undertaken at least annually at the financial year end, and more frequently if indicators of impairment exist. Where the carrying value of goodwill exceeds its recoverable amount an impairment is recognised and shall not be reversed in later periods.

Other Intangible Assets

Other intangible assets relate to the Intellectual Property associated with the design of the chronic pain clinical study protocol devised by the Group's subsidiary Harley Street (CPC) Limited. The amortisation period for this has been determined to be 5 years.

I. *INVENTORY*

Production consumables and lab inventory is measured at the lower of cost and net realisable value. The cost of inventory is based on the first-in, first-out allocation method.

J. *TAXATION*

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

K. PROVISIONS

A provision is recognised where there is a present obligation, whether legal or constructive, as a result of a past event for which it is probable that a transfer of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation.

The amount recognised as a provision is management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

L. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standards and interpretations applied

The following accounting standards and updates were applicable in the reporting period but did not have a material impact on the Company:

- Amendments to IFRS 1 and IFRS 9 Annual Improvements to IFRS 2018-2020
- Amendments to IFRS 3: Business Combinations
- Amendments to IAS 16: Property, Plant and Equipment
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets

New and amended standards and interpretations not applied

The following new and amended standards and interpretations in issue are applicable to the Company but are not yet effective and therefore, have not been adopted by the Company:

- IFRS 17: Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 17: Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2023)
- Amendments to IAS 12: Income Taxes (effective 1 January 2023)
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2023)

The Company has considered the IFRS's in issue but not yet effective and do not consider any to have a material impact on the Company.

4. USE OF CRITICAL JUDGEMENTS AND KEY ACCOUNTING ESTIMATES

In preparing the financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, expenses, shareholders' equity and reserves. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

CRITICAL JUDGEMENTS

a. Reverse Acquisition Accounting

The Celadon Pharmaceuticals Plc Group of companies was formed by Celadon Property Co Limited (previously Vertigrow Technology Limited) reverse acquiring Summerway Capital Plc (a "reverse acquisition") on 28 March 2022. Summerway Capital Plc was then renamed Celadon Pharmaceuticals Plc. The board used judgment in applying Reverse Acquisition Accounting principles and used an estimate as to the average share price of £1.5125 on 28 March 2022, the first day of trading after the Company was readmitted to trading on AIM, to value the consideration shares issued by Celadon Pharmaceuticals Plc to the owners of Celadon Property Co Limited. Further details are in note 5.

b. Tax Losses

The Group has significant tax losses and has incurred significant capital expenditure on leasehold improvements and plant and machinery. The corporation tax treatment of these items and the potential recognition of deferred tax assets requires management judgement. The Group has decided not to recognise a deferred tax asset at the balance sheet date, given the uncertainty of when profits will arise. See note 11.

KEY ACCOUNTING ESTIMATES

c. Subsidiary incentive scheme

The Group established a Subsidiary Incentive Scheme in 2018 (in Celadon Subco Limited (previously Summerway Subco Limited)) in order to incentivise and retain key employees, directors and advisers to the Group. The fair value of share-based awards is measured using the Monte Carlo model which inherently makes use of significant estimates and assumptions including the share price volatility, an estimate of exercise date and the number of scheme members that will achieve the vesting conditions. Further details of the scheme, and the assumptions used in the Monte Carlo model are given in note 28.

d. Convertible loan notes

Celadon Property Co Limited raised £4.13 million through an issue of convertible loan notes in February and March 2021. The convertible loan notes contained an embedded derivative (the right to convert in to shares) that was fair valued at inception and at each reporting date. The fair value estimate required assumptions on share price volatility, the expected value of the shares and conversion date. Further details of the methodology applied and assumptions made are given in note 22.

e. Leases and right-of-use assets

In 2019, Celadon Property Co Limited signed a 25 year lease on a 100,000 square foot production and head office facility in the UK. The lease was varied in February of 2022. The fair value accounting for the lease liability and associated asset value, at inception and the date of variation requires the estimation of the effective borrowing rate in the lease. Further details of the assumptions made in calculating the incremental borrowing cost are provided in note 15.

f. Acquisition of controlling shareholding in Harley Street (CPC) Limited and measurement period adjustment

The acquisition date fair value accounting required an estimation by management. The fair value accounting for the contingent consideration required an estimation of the appropriate discount rate at inception and at reporting dates.

The likelihood of the targets being delivered to trigger the contingent consideration payment required judgement by management. Further details of the assumptions made in those calculations are set out in note 13.

Subsequent changes to the fair value of contingent consideration are recognised in accordance with IFRS 9 *Financial Instruments* as described above.

Measurement Period Adjustment

The figures included in the consolidated accounts of Celadon Property Co Limited for the period ended 31 December 2021 were based on initial estimates of the fair value of the assets acquired. The accounts have been adjusted to include the split between goodwill and intangible assets following the completion of a fair value exercise.

Impact on 31 December 2021 unaudited financial statements:

	Adjusted 2021 £000	*As Stated 2021 £000*	*Impact £000*
Statement of Financial Position			
Goodwill	719	1,092	(373)
Intangible Assets	448	-	448
Deferred tax liability in respect of intangible asset	(112)	-	(112)
Net impact on equity	1,055	1,092	(37)
Statement of Comprehensive Income			
Impact on depreciation and amortisation	(50)	-	(50)
Impact on operating loss	(50)	-	(50)
Impact on loss before tax	(50)	-	(50)
Earnings per share	(0.0p)	(0.0p)	(0.0p)

g. Site Restoration Obligation provision

In October 2019 Celadon Property Co Limited signed a 25 year lease which included the option for the landlord to require the company (at the end of the lease in 2044) to repair the leasehold property to its original condition. The fair value of the site restoration obligation provision requires estimation and judgement of the potential costs to put the site back in its original state. See note 25 for further details of the assumptions made.

h. Research & Development Tax Credits

The Group has submitted its first R&D tax credit application to HMRC totalling £269k relating to 2021 activities. Elements of the R&D claims required judgement by management. At the date of these financial statements £269k had been received by the company in respect of the year to 31 December 2021. Using the same methodology, the estimated R&D claim for the year to 31 December 2022 is £412k. See note 11.

5. REVERSE ACQUISITION OF CELADON PROPERTY CO LIMITED

On 28 March 2022, Celadon Pharmaceuticals Plc (previously Summerway Capital Plc) acquired through a share-for-share exchange, the entire share capital of Celadon Property Co Limited and its subsidiary companies Celadon Pharma Limited and Harley Street (CPC) Limited (together the "Celadon Group"), whose principal activity is growing highly controlled indoor hydroponic, high THC cannabis for use within medicinal products used to treat chronic pain.

Although the transaction resulted in the Celadon Group becoming a wholly-owned subsidiary group of the Company, the substance of the transaction means it constitutes a *reverse acquisition*, as the previous shareholders of Celadon Property Co Limited own a substantial majority of the Ordinary Shares of the Company and the executive management of Celadon Property Co Limited became the executive management of Celadon Pharmaceuticals Plc.

Furthermore, as Celadon Pharmaceuticals plc's activities prior to the acquisition were purely the maintenance of the AIM Listing, acquiring Celadon Property Co Limited and raising equity finance to provide the required funding for the operations of the acquisition, it did not meet the definition of a business in accordance with IFRS 3.

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 *Share-based Payments* ("IFRS 2") and associated IFRIC guidance.

Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 *Consolidated Financial Statements* ("IFRS 10") and prepare consolidated financial statements with Caledon Pharmaceuticals Plc consolidated as a subsidiary. The Directors have prepared these financial statements using the reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the shareholders of Celadon Property Co Limited and the share of the fair value of net assets gained by the shareholders of Celadon Property Co Limited is charged to the statement of comprehensive income as a share-based payment on reverse acquisition. In substance, this represents the cost of acquiring an AIM listing.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of Celadon Property Co Limited and its subsidiaries and include:

a. the assets and liabilities of Celadon Property Co Limited and its subsidiaries at their pre-acquisition carrying value amounts and the results for the periods presented; and

b. the assets and liabilities of the Company (and its wholly owned subsidiary Celadon Subco Limited (previously Summerway Subco Limited)) as at 28 March 2022 and its results from the date of the reverse acquisition (28 March 2022) to 31 December 2022.

On 28 March 2022, Celadon issued 43,316,201 ordinary shares to acquire the entire share capital of Celadon Property Co Limited, and issued 5,168,647 ordinary shares to redeem the Celadon Property Co Limited convertible loan notes. At 28 March 2022, the average share price of Celadon for the day was £1.5125.

On consolidation and presentation of the Group's financial position, performance and cash flows, Celadon Property Co Limited, was treated as the accounting acquirer, and the legal parent company, Celadon, was treated as the accounting acquiree.

The fair value of the shares deemed to have been issued by Celadon Property Co Limited was calculated at £12,151k based on an assessment of the purchase consideration for a 100% holding of Celadon on the reverse acquisition date.

The fair value of the net assets of Celadon Pharmaceuticals plc at acquisition was as follows:

	£000
Cash and equivalents	3,494
Other assets	2,285
Accounts payable and other liabilities	(28)
Net assets	**5,751**

The difference between the deemed cost £12,151k and the fair value of the net assets assumed per above of £5,751k resulted in £6,400k being expensed within "*Reverse Acquisition Expenses*" in accordance with IFRS 2, reflecting the economic cost to the shareholders of Celadon Property Co Limited of acquiring a quoted entity.

The professional fees in the period were £2,493k (2021: £777k), of which £1,028k (2021: £nil) was charged to the share premium account, and £1,465k (2021: £777k) was expensed in the consolidated statement of comprehensive income.

REVERSE ACQUISITION RESERVE

The Reverse Acquisition Reserve which arose from the reverse acquisition is made up as follows:

	Note	*£000*
Pre-acquisition total retained earnings of Celadon Pharmaceuticals Plc	1	(1,746)
Celadon Property Co Limited share capital at acquisition	2	1,662
Investment in Celadon Property Co Limited, net of convertible loan note charge	3	(65,516)
Reverse acquisition expense	4	6,400
		(59,200)

1. Recognition of pre-acquisition equity of Celadon Pharmaceuticals Plc.
2. *Celadon Property Co Limited had issued share capital of £1,662k. As these financial statements present the capital structure* of the legal parent entity, the equity of Celadon Property Co Limited is eliminated.
3. The value of the shares issued by the Company in exchange for the entire share capital of Celadon Property Co Limited.
4. The reverse acquisition expense represents the difference between the value of the equity issued by the Company, and the deemed consideration given by Celadon Property Co Limited to acquire the Company.

6. OPERATING SEGMENTS

A. BASIS OF SEGMENTATION

Reportable segment results include items directly attributable to a segment as well as those which can be allocated on a reasonable basis. The operating results of each are regularly reviewed by the Chief Operating Decision Maker, which is deemed to be the Board of Directors. Discrete financial information is available for each segment and used by the Board of Directors for decisions on resource allocation and to assess performance.

The Group has the following segments:

Reportable segment	*Operations*
Celadon	Build out of the grow facilities, growing of medical grade cannabis and research in the GMP lab
Harley Street (CPC)	A clinical study into the pain relief benefits of medicinal cannabis

Information related to each reportable segment is set out below.

2022	*Celadon £000*	*Harley Street £000*	*Central Costs £000*	*Group £000*
External revenue	-	24	-	24
Cost of sales	-	(90)	-	(90)
Gross margin	-	(66)	-	(66)
Operating costs	(4,006)	(848)	-	(4,854)
Depreciation	(360)	(6)	-	(366)
Operating (loss)	(4,366)	(920)	-	(5,286)
Unallocated central costs	-	-	(12,684)	(12,684)
Finance costs	-	-	(23)	(23)
Group (loss) before tax				**(17,993)**
Segment assets	4,235	400	6,314	10,949
Segment Capital expenditure	2,300	2	-	2,302
Total Group assets				**13,251**
Segment liabilities	(4,151)	(1,610)	(366)	(6,127)
Total Group liabilities				**(6,127)**

2021 (unaudited)	*Celadon £000*	*Harley Street £000*	*Central Costs £000*	*Group £000*
External revenue	-	2	-	2
Cost of sales	-	(4)	-	(4)
Gross margin	-	(2)	-	(2)
Operating costs	(1,848)	(544)	-	(2,392)
Depreciation	(318)	(1)	-	(319)
Operating (loss)	(2,166)	(547)	-	(2,713)
Unallocated central costs			(968)	(968)
Finance costs			(1,115)	(1,115)
Group (loss) before tax				**(4,796)**

2021 (unaudited)	Celadon £000	Harley Street £000	Central Costs £000	Group £000
Segment assets	3,871	1,026	2,719	7,616
Capital expenditure	996	25	-	1,021
Total Group Assets				**8,637**
Segment liabilities	(3,687)	(2,274)	(7,085)	(13,046)
Total Group liabilities				***(13,046)***

The group operates only in the UK only and has only one geographical area.

7. REVENUE

The Group recorded revenue in the year ended 31 December 2022 of £24k (2021: £2k) from patients on the Group's clinical study in Harley Street (CPC) Limited.

8. PROFIT FOR THE YEAR

The loss for the year has been arrived at after charging (crediting):

	2022 £000	Unaudited 2021 £000
Depreciation of property, plant and equipment	156	122
Depreciation of leasehold improvements	45	31
Depreciation of office equipment	27	15
Depreciation of right-of-use asset	138	100
Amortisation of intangible assets	100	50
Non-cash charge in respect of Harley Street (CPC) Limited	139	-
Fair value charge relating to long term incentive plans	1,136	-
Fair value charge relating to Canaccord warrants included in Other acquisition costs	227	-
Auditor's remuneration	130	-
Non-Audit Services (IPO related costs)	83	213
Director's remuneration (including share-based payment charge)	888	351

9. DIRECTORS AND STAFF COSTS

The average number of staff (including Directors) during the year was 24 (2021: 9).

Staff costs for the year, including Directors were:

	2022 £000	Unaudited 2021 £000
Salaries	1,778	745
Bonuses	37	-
Pension contributions	30	19
Phone allowance	11	5
	1,856	**769**
Social security costs	227	82
Share based payments	460	-
	2,543	**851**

The Directors have determined that there are no key management personnel other than the Directors during the year.

Management remuneration paid and other benefits supplied to the Directors during the period plus the associated social security costs were as follows:

	2022 £000	*Unaudited* 2021 £000
Salaries	474	312
Phone allowance	1	-
	475	**312**
Social security costs	51	39
Share based payments	362	-
	888	**351**

In accordance with section 412 Companies Act 2006 the table below shows the full amount of remuneration paid and other benefits supplied to the Directors of Celadon Pharmaceuticals plc even if those amounts relate to the period prior to the Reverse Acquisition of Celadon Property Co Limited.

Director	*Salary* £	*Loss of service* £	*Benefits in kind* £	*Pension* £	*31 December 2022 Total* £	*31 December 2021 Total* £
Alexander Anton[1]	38,266	-	-	-	38,266	4,508
Benjamin Shaw[2]	4,500	-	-	-	4,500	21,723
James Short[3]	246,150	-	-	-	246,150	-
David Firth[4]	44,440	-	-	-	44,440	30,161
Robbie Barr[5]	38,266	-	-	-	38,266	-
Dr Steven Hajioff[6]	34,786	-	-	-	34,786	-
Elizabeth Shanahan[7]	40,000	-	-	-	40,000	11,111
Kathleen Long[8]	56,154	-	-	-	56,154	-
Jonathan Turner[9]	-	-	-	-	-	-
	502,562	-	-	-	**502,562**	**67,503**

1. Alexander Anton resigned 15 January 2021 and was re-appointed 28 March 2022
2. Benjamin Shaw resigned as Interim Chairman on 28 March 2022 – all the fees quoted above relate to the period 1 January – 28 March 2022
3. James Short was appointed on 28 March 2022 – the figure quoted is the combined figure for the services provided to Celadon Pharmaceuticals plc since March 2022, and Verigrow from 1 January 2022 to 28 March 2022
4. David Firth was appointed on 17 September 2018 – of the fees quoted above, £11,100 relates to the period 1 January – 28 March 2022
5. Robbie Barr was appointed on 28 March 2022
6. Dr Steven Hajioff was appointed on 28 March 2022 – the figure quoted is the combined figure for services provided to Celadon Pharmaceuticals plc since March 2022, and Vertigrow from 1 January 2022 to 28 March 2022.
7. Elizabeth Shanahan was appointed on 21 September 2021 – of the fees quoted above, £10,000 relate to the period 1 January – 28 March 2022
8. Kathleen Long was appointed on 28 March 2022 and resigned on 17 January 2023
9. Jonathan Turner was appointed on 17 January 2023

10. NET FINANCE COSTS

	2022 £000	2021 £000
Finance gain / (charge) on derivative liability associated with convertible loan notes (note 22)	556	(660)
Finance (charge) on leased assets (note 15)	(531)	(384)
Finance (charge) on related party loan (note 22)	(53)	(35)
Finance (charge) on external loans (note 22)	(7)	(36)
Finance income on bank deposits	12	-
	(23)	**(1,115)**

11. INCOME TAX

The Group has had no taxable profits since incorporation.

RECONCILIATION OF EFFECTIVE TAX RATE

	2022 £000	Unaudited 2021 £000
Loss before tax from operations	(17,993)	(4,796)
Tax rate	19%	19%
Tax credit at the standard rate of corporation tax	(3,418)	(911)
Items disallowable for corporation tax	2,217	353
Additional deduction for R&D expenditure	(303)	-
Surrendered for R&D purposes	539	353
Capital allowances in excess of depreciation	(33)	(251)
Impact of unrelieved tax losses carried forward	998	456
Tax credit before impact of surrender of R&D expenditure	-	-
Refundable tax credit for surrender of enhanced R&D expense (at 14.5%):		
- current year	412	-
- prior year adjustment	270	-
Release of deferred tax liability on intangible assets	25	13
Tax credit for the year	**707**	**13**

The Group has estimated tax losses of £8,811k (2021: £4,895k) which may be available for relief against future profits from current operations.

For tax years starting on or after 1 April 2023, the rate of corporation tax in the UK is 25%. As it is anticipated that the tax losses will not be utilised in the year to December 2023, the deferred tax asset not recognized has been calculated using the rate in force from 1 April 2023. The deferred tax asset not provided for in the accounts is £2,203k (2021: £1,224k).

The release of the deferred tax liability on intangible assets reflects the amortisation of the Clinical Trial related intangible assets.

12. LOSS PER SHARE

	2022 £000	Unaudited 2021 £000
Loss attributable to the owners of the Company	(16,906)	(4,641)
Weighted average number of ordinary shares in issue	57,295,086	44,324,386
Basic loss per share	(29.5p)	(10.5p)
Diluted loss per share	(29.5p)	(10.5p)

Basic earnings per share is calculated by dividing the loss/profit after tax attributable to the equity holders of the group by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares.

Under the Subsidiary Incentive Scheme certain directors and employees of, and advisers to, the Group are able to participate in a share of the growth of the Group's market capitalisation over predetermined thresholds over a three- to five- year period. The participants can realise their value from the Subsidiary Incentive Scheme by exercising a put option to transfer their Celadon Subco Limited shares to Celadon Pharmaceuticals plc with the consideration satisfied at the Company's option either in cash or through the issue of ordinary shares of the Company. As a result it is not possible to accurately predict the number of shares that might be issued, and as such it is not possible to calculate a fully diluted basis, though in practical terms the maximum dilution from the Subsidiary Incentive Scheme is likely to be less than 16.5%.

The calculation of earnings per share is based on the following earnings and number of shares. In calculating the weighted average *number of ordinary shares outstanding (the denominator of the earnings per share calculation) during the period in which the reverse* acquisition occurs:

- The number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be computed, on the basis of the weighted average number of ordinary shares of the legal acquiree (accounting acquirer) outstanding during the period *multiplied by the exchange ratio* established in the merger agreement; and
- The number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal acquirer (the accounting acquiree) outstanding during that period.

The basic earnings per share for each comparative period *before* the acquisition date presented in the consolidated financial statements following a reverse acquisition shall be calculated by dividing:

- the profit or loss of the legal acquiree attributable to ordinary shareholders in each of those periods by
- the legal acquiree's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding warrants and other instruments would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

13. INTANGIBLE ASSETS

	Clinical Trial Intangible Asset £000	*Goodwill £000*	*Total £000*
Cost			
At 1 January 2021	-	80	80
Additions	498	639	1,137
At 31 December 2021 (Unaudited)	**498**	**719**	**1,217**
Impairment	-	(639)	(639)
At 31 December 2022	**498**	**80**	**578**
Amortisation			
At 1 January 2021	-	-	-
Charge for period	(50)	-	(50)
At 31 December 2021 (Unaudited)	**(50)**	-	**(50)**
Charge for period	(100)	-	(100)
At 31 December 2022	**(150)**	-	**(150)**
Net book value			
At 31 December 2021	448	719	1,167
At 31 December 2022	**348**	**80**	**428**

Celadon Property Co Limited has goodwill arising from two acquisitions: (1) the purchase of the entire share capital of Celadon Pharma Limited (in 2019); and (2) an initial 57.5% equity investment in Harley Street (CPC) Limited (in 2021).

ACQUISITION OF CELADON PHARMA LIMITED – 2020

On 1 January 2020, Celadon Property Co Limited acquired 100% of the share capital for Celadon Pharma Limited for £2, together with the assumed liabilities generated goodwill of £80k.

INITIAL ACQUISITION OF HARLEY STREET (CPC) LIMITED - 2021

On 14 July 2021, Celadon Property Co Limited acquired 57.5% of the issued share capital of Harley Street (CPC) Limited ("HSCPCL"), which is in the advanced stages of obtaining MHRA and Research Ethics Committee approval for a UK-based cannabis trial for a maximum consideration of £2,000k.

£500k was paid in cash on completion with a *contingent consideration* payment of £1,500k due in ordinary shares of the Company in the event that (a) each of MHRA and REC authorise the Trial in full; and (b) 5,000 paying patients of the Company's clinic are accepted onto the Trial and receive their first prescriptions under the Trial within 18 months of completion of the acquisition of LVL.

	£000
Fair value of initial cash consideration paid	500
Fair value of contingent consideration	375
Total consideration	875
Fair value of net liabilities acquired	238
Non-controlling interest	(101)
Fair value of assets acquired	**1,012**
Fair value of	
- Intangible Assets acquired	**498**
- Deferred tax liability on intangible assets	(125)
Goodwill	**639**

The £1,500k contingent consideration payment was estimated to have an acquisition date fair value of £375k based upon 6.2% discount rate and management's probability estimate of the payment criteria being satisfied.

RELEASE OF CONTINGENT CONSIDERATION IN 2022

In June 2022, the Directors reassessed that the targets for the contingent consideration payment would not be met within the time frame set, and released the contingent consideration liability of £375k back to consolidated statement of comprehensive income.

IMPAIRMENT TEST

Goodwill is tested for impairment annually, and whenever there is an indication that it may be impaired. The annual impairment test is performed as at 31 December each year. An impairment, if any, that results from that annual impairment test would be reflected in the 31 December financial statements.

Goodwill is, for the purposes of impairment testing, allocated to cash generating units ("CGUs") or groups of CGUs expected to benefit from the business combination associated with that goodwill, where a CGU is the smallest identifiable group of assets that generate independent cash inflows. Management reviewed business performance, as of 31 December 2022 based on the performance of the various operating segments identified in note 6, which are also the Group's CGUs.

An impairment test of goodwill is performed by comparing the carrying amount of each division (i.e. CGU or group of CGUs), including the goodwill, with the recoverable amount of the division. The recoverable amount of a division is the higher of its fair value less costs of disposal ('FVLCD') and its value in use ('VIU'), where the VIU of the division is the present value of its future cash flows.

If the recoverable amount of a division is lower than its carrying amount, an impairment loss is recognised. The impairment test of the divisions as at 31 December 2022 resulted in an impairment charge to goodwill in respect of the Harley Street CGU, the table below shows the position after that impairment.

The key data is summarised in the following tables:

Cash Generating Unit	*Goodwill £000*	*Carrying Amount £000*	*Recoverable Amount £000*	*Headroom £000*
Celadon	80	6,748	121,000	**114,252**
Harley Street	-	376	376	-

CARRYING AMOUNT

The 'Carrying amount' column in the above table includes the carrying amounts of the CGUs. These amounts are determined by adding back external debt and lease liabilities to the net assets of each division and the Corporate non-operating division, by allocating the resulting adjusted net assets of the Head Office non-operating division across the divisions on a pro rata basis to the resulting adjusted net assets of each division, and by adding these amounts to the goodwill of the divisions after first grossing that goodwill up for the non-controlling interest.

RECOVERABLE AMOUNT

The recoverable amount of both CGUs has been determined on a Value-in-Use basis, being the present value of board approved forecasted future cash flows of the CGUs together with an allocation of the cash flows of the Head Office non-operating division, where the cash flows are based on the most recent five-year forecast.

These forecasts were derived from market information, by overlaying it with assumptions to reflect areas where growth or income improvement is expected, and by taking into account the expected results of cost management programmes to which the Group is committed. The 2028 forecast is extrapolated to subsequent years using a steady growth rate being the CPI inflation rate of 1.9% per annum, and a terminal value is calculated using the perpetual growth model. The discount rate of 15.0% that has been applied to the forecasts is a market participant weighted average cost of capital. Given that the Celadon CGU only obtained the requisite regulatory licences to allow it to start selling it product after the year end, its calculation of its value in use is most sensitive to the anticipated increase in revenue. Similarly, the revenues generated by the Harley Street CGU have been lower than anticipated due to its Clinical Study being conditionally-approved only. The value in use for this CGU is also sensitive to the anticipated increase in revenues.

NET IMPACT ON INCOME STATEMENT

The net impact on income statement of the impairment of the Goodwill relating to Harley Street and the release of the deferred consideration is a charge of £264k (2021: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement £000	*Plant and machinery £000*	*Office equipment £000*	*Assets under construction £000*	*Total £000*
Cost					
At 1 January 2021	201	506	-	-	707
Additions	264	213	66	-	543
At 31 December 2021	**465**	**719**	**66**	**-**	**1,250**
Additions	-	279	36	1,987	2,302
Disposal	(216)	-	-	-	(216)
At 31 December 2022	**249**	**998**	**102**	**1,987**	**3,336**
Depreciation					
At 1 January 2021	(6)	(55)	-	-	(61)
Charge for period	(31)	(122)	(15)	-	(168)
At 31 December 2021	**(37)**	**(177)**	**(15)**	**-**	**(229)**
Charge for period	(45)	(156)	(27)	-	(228)
Disposals	42	-	-	-	42
At 31 December 2022	**(40)**	**(333)**	**(42)**	**-**	**(415)**
Net book value					
At 31 December 2021	428	542	51	-	1,021
At 31 December 2022	**209**	**665**	**60**	**1,987**	**2,921**

Leasehold improvements with a cost of £216k were sold for their net book value of £174k generating no gain or loss on the disposal.

Assets under construction are for Phase 2 works including waste removal, walls, doors, drainage and flooring.

15. RIGHT-OF-USE ASSETS

	Right-of-use Property Lease £000	*Right-of-use Equipment £000*	*Total £000*
Cost			
At 1 January 2021	2,511	-	2,511
At 31 December 2021	**2,511**	-	**2,511**
Additions	-	30	30
Increase in Restoration Obligation	389	-	389
Lease variation	553	-	553
At 31 December 2022	**3,453**	**30**	**3,483**
Amortisation charge			
At 1 January 2021	(126)	-	(126)
Amortisation charge	(100)	-	(100)
At 31 December 2021	**(226)**	-	**(226)**
Lease variation – interest reset	235	-	235
Amortisation charge	(132)	(6)	(138)
At 31 December 2022	**(123)**	**(6)**	**(129)**
Net book value			
At 31 December 2021	2,285	-	2,285
At 31 December 2022	**3,330**	**24**	**3,354**

PROPERTY LEASE

The Group operates from a 100,000 square foot facility in the UK under a 25 year lease signed in 2019, with rent reviews every 5 years, with the first review on 1 October 2024. At the inception, management estimated fair value of the minimum cash flow payments under the lease to establish the right-of-use inception value. The incremental borrowing cost of 13.35% was calculated by using the credit spread of CCC rated bonds with duration of 13.75 years for bonds issued on the date the Group entered into the lease.

In February 2022, Celadon Property Co Limited varied the terms of its long-term property lease by (a) extending the rent-free period by 12 months to 11 March 2023; and (b) increasing the un-discounted cash flow payments over the existing lease term (to 30 September 2044) by £3.9 million. On a discounted cash flow basis this increased the right-of-use asset and corresponding lease liability by £553k on the variation date. There was no change required to the Incremental borrowing rate used to discount lease payments resulting from this variation.

Included in the Property Lease Right-of-Use asset is £389k (2021: £nil) for Site Restoration Obligations (note 25).

16. UNLISTED INVESTMENTS

	2022 £000	Unaudited 2021 £000
At 1 January	200	-
Investment	18	200
At 31 December	**218**	**200**

In 2021 Celadon Property Co Limited invested £200k in Kingdom Therapeutics Limited (for a 17% shareholding) and acquired an additional holding for £18k in May 2022. At 31 December 2022 Celadon Property Co Limited has a 18.8% shareholding in Kingdom Therapeutics Limited. The small increase in ownership does not materially impact on the Group's ability to control the activities of Kingdom Therapeutics Limited and as a result it is not appropriate to consolidate the entity with the Group.

17. SUBSIDIARIES

The Group has five subsidiaries for the year ended 31 December 2022. All subsidiary companies are consolidated in the Group's financial statements. The companies in the Group at 31 December 2022 are:

Name	*Proportion of Ownership Interest*	*Proportion of Control*	*Profit / (Loss) for the year £000*	*Capital and Reserves £000*	
Celadon Subco Limited (formerly Summerway Subco Limited) *	100%	100%	(13,928)	65,539	a
Celadon Property Co Limited (formerly Vertigrow Technology Limited) *	100%	100%	2,819	1,241	b
Celadon Pharma Limited *	100%	100%	2,675	280	c
Celadon Pharmaceuticals (UK) Limited *	100%	100%	-	-	d
Harley Street (CPC) Limited	57.5%	57.5%	(953)	(1,556)	e

All companies are incorporated and operate in the UK. The registered office of Harley Street (CPC) Limited is The Walbrook Building, 25 Walbrook, London, EC4N 8AF. The registered office of all other group companies is 32-33 Cowcross Street, London, EC1M 6DF.

* The financial statements of these subsidiary undertakings have not been audited for the year ended 31 December 2022 in accordance with Section 479A of the Companies Act 2006 as the Group has opted to take advantage of a statutory exemption. Strict criteria must be met for this exemption to be taken and it must be agreed to by the directors of those subsidiary companies. In order to facilitate the adoption of this exemption, Celadon Pharmaceuticals plc, the ultimate parent company of the subsidiaries undertakes to provide a guarantee under Section 479C of the Companies Act 2006 in respect of those subsidiaries.

The principal activities of the companies are:

a. **Celadon Subco Limited** - This is an equity incentive company. The company has A Ordinary Shares and B Ordinary Shares.
   - The A Ordinary Shares have full voting rights, full rights to participate in a dividend and full rights to participate in a distribution of capital. Celadon Pharmaceuticals plc holds all of the 80,000,801 issued A Ordinary shares.
   - The B Ordinary Shares have no voting rights, no rights to participate in any dividend without the consent of Celadon Pharmaceuticals Plc. The B Ordinary Shares were created to facilitate a Long Term Incentive Scheme. See note 28 for more details.

b. **Celadon Property Co. Limited** - This is a property holding company of the Group and holds the 25 year lease on the Group's 100,000 square foot facility.

c. **Celadon Pharma Limited** - This is an operating company growing the medicinal cannabis.

d. **Celadon Pharmaceuticals (UK) Limited** - Is a dormant company.

e. **Harley Street (CPC) Limited** - Is a UK company conducting a clinical study into the benefits of medicinal cannabis in pain management.

18. INVENTORIES

	2022 £000	2021 £000
Production consumables	20	2

The inventories were consumed in the validation runs to obtain the Group's EU-GMP licence.

19. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Gross Trade receivables	-	60
Less Expected Credit Allowance	-	-
Net Trade Receivables	-	60
Prepayments	186	160
VAT receivable	381	44
R&D tax receivable	682	-
	1,249	**264**

20. CASH & CASH EQUIVALENTS

	2022 £000	2021 £000
Cash and cash equivalents	5,061	3,823

Cash at bank comprises of balanced held by the Group in current bank accounts. The carrying amount of these assets approximated to their fair value.

21. TRADE AND OTHER PAYABLES

	2022 £000	2021 £000
Trade payables	539	160
Accruals	476	517
Other taxes and social security costs	91	74
	1,106	**751**

In the event of payment in line with agreed payment terms, trade payables are non-interest bearing. Normal payment terms vary between suppliers but are typically settled in 30-60 days.

22. LOANS AND BORROWINGS

	2022 £000	*Unaudited* 2021 £000
Current liabilities		
Bounce back bank loan	(10)	(10)
Related party loan	-	(2,160)
Loans and borrowings	**(10)**	**(2,170)**
Convertible loan note	-	(2,266)
Embedded derivative of convertible loan note	-	(2,659)
Convertible loan notes	-	**(4,925)**
Lease liabilities	(56)	(338)
	(66)	(7,433)

	2022 £000	Unaudited 2021 £000
Non-current liabilities		
Bounce back bank loan	(24)	(34)
Supplier loan	-	(1,533)
Lease liabilities	(4,542)	(2,920)
	(4,566)	(4,487)

A. BOUNCE BACK BANK LOAN

Celadon Pharma Limited has a £50k bounce back loan with Barclays Bank plc. The loan was taken out on 31 May 2020, has a 6-year term, an interest rate of 2.5% pa and is repayable in monthly instalments of £833 until 31 May 2026. The loan is unsecured.

B. SUPPLIER LOAN

On 16 January 2021, Harley Street (CPC) Limited had a £1,500k loan from a supplier with interest at 5% pa. The loan and interest were repaid in full on 4 February 2022.

C. RELATED PARTY LOAN

On 28 October 2021 Vertigrow Technology Limited entered a £2,125k loan from Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc), drawing down this amount in full. Interest accrued at 10% per annum. This has been eliminated on consolidation on 28 March 2022 in the reverse acquisition.

D. CONVERTIBLE LOAN NOTE AND EMBEDDED DERIVATIVE

In February and March 2021, Vertigrow Technology Limited issued £4,130k convertible loan notes, the notes carried interest at 8% pa and were issued without a redemption date, but were anticipated to be converted to ordinary shares on the Company's Initial Public Offering.

The Company estimated the fair value of the equity component of the convertible loan notes as embedded derivates totalling £1,998,000 (at inception), and remeasured this fair value at each reporting date, with the movement recording in the statement of comprehensive income.

The inputs used in the Black Scholes valuation model to calculate those fair values were:

	At Inception	31 December 2021	28 March 2022
Risk free rate	-0.03%	0.02%	0.51%
Volatility	54.2%	51.0%	48.0%
Dividend yield	0%	0%	0%

Volatility was estimated using the Summerway Capital Plc share prices for the periods shown. The balance sheet values of the host liability and embedded derivative were:

	2022 £000	Unaudited 2021 £000
Amount classified as Host Liability	-	(2,266)
Amount classified as Embedded Derivative	-	(2,659)
Net	-	(4,925)

On 28 March 2022, the convertible loan notes balance of £4,412k (comprising: £2,103k of derivative liability and £2,309k of host liability and accrued interest) was redeemed through the issuance of 5,168,647 Summerway Capital Plc shares worth £8,528,268.

E. THE AMOUNTS CHARGED TO THE STATEMENT OF COMPREHENSIVE INCOME WERE:

	2022 *£000*	*2021* *£000*
Convertible loan note finance charge	43	151
Finance charge on redemption of convertible loan notes	3,406	-
Arrangement fee	-	40
	3,449	**191**

F. LEASE LIABILITIES

The Group has leases for its premises and also for plant and equipment assets, and has the following undiscounted minimum lease payment commitments under right-of-use leases as at 31 December 2022:

	Leasehold Property *£000*	*Plant & Equipment* *£000*	*Total* *£000*
Less than 1 year	486	11	497
1 to 2 years	550	11	561
2 to 3 years	650	3	653
3 to 4 years	650	-	650
4 to 5 years	650	-	650
More than 5 years	10,735	-	10,735
Total	**13,721**	**25**	**13,746**

The movement in carrying value in the lease liabilities is summarised as follows:

	2022 *£000*	*Unaudited* *2021* *£000*
Leasehold Property		
Start of period	3,258	2,874
Variation (note 15)	787	-
Finance charge – lease discount unwind	530	384
End of period	**4,575**	**3,258**
Plant & Machinery		
Start of period	-	-
Inception of lease	30	-
Lease payments	(8)	-
Finance charge – lease discount unwind	1	-
End of period	23	-
Total	**4,598**	**3,258**
Due within 12 months	56	338
Due after 12 months	4,542	2,920

G. RECONCILIATION OF MOVEMENTS ON LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Bounce Back Loan £000	*Supplier Loan £000*	*Related Party Loan £000*	*Convertible Loan Note £000*	*Embedded Derivative £000*	*Lease Liabilities £000*	*Share capital / premium £000*	*Total £000*
At 1 January 2021 (unaudited)	**50**	-	-	-	-		**5,772**	**5,822**
Cash Flows	(7)	1,500	2,125	2,115	1,999	2,874	1,675	**12,281**
Non-cash flows:								
Charge to income statement	1	35	35	151	660	384	-	**1,266**
At 31 December 2021 (unaudited)	**44**	**1,535**	**2,160**	**2,266**	**2,659**	**3,258**	**7,447**	**19,369**
Cash Flows	(11)	(1,541)	-	-	-	22	8,500	**6,970**
Non-cash flows:								
Charge to income statement	1	6	53	43	(556)	531	-	**78**
Lease variation	-	-	-	-	-	787	-	**787**
Loan offset in consolidation	-	-	(2,213)	-	-		-	**(2,213)**
Transaction costs	-	-	-	-	-		(1,009)	**(1,009)**
Fair value of Canaccord warrants charged to share premium	-	-	-	-	-	-	(18)	**(18)**
Issued for purchase of Celadon Property Co Limited	-	-	-	-	-	-	433	**433**
Redemption of loan notes	-	-	-	(2,309)	(2,103)	-	7,817	**3,406**
At 31 December 2022	**34**	-	-	-	-	**4,598**	**23,170**	**27,802**

23. DEFERRED TAX LIABILITY

	Current Liability £000	*Non-Current liability £000*	*Total £000*
At 1 January 2021	-	-	-
Recognised on business combination	(25)	(100)	**(125)**
Recognised in the income statement	-	13	**13**
At 31 December 2021 (Unaudited)	**(25)**	**(87)**	**(112)**
Recognised in the income statement	-	25	**25**
At 31 December 2022	**(25)**	**(62)**	**(87)**

24. FINANCIAL INSTRUMENT AND RISK MANAGEMENT

The Group's financial instruments comprise primarily cash and various items such as trade debtors and trade creditors which arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group does not utilise complex financial instruments or hedging mechanisms in respect of its non-sterling payments.

A description of each category of financial assets and liabilities and the related accounting policies can be found in note 3. The carrying amounts of the Group's financial assets and liabilities in each category are summarised below. For financial liabilities measured at fair value, the level within which these are on the IFRS 13 fair value hierarchy, are also presented:

A. FINANCIAL ASSETS BY CATEGORY

	2022 £000	Unaudited 2021 £000
Financial assets measured at amortised cost		
Cash and cash equivalents	5,061	3,823
Trade receivables	-	60
	5,061	**3,883**
Financial assets measured at FVTOCI		
Unlisted Investments	218	200
	218	**200**

All trade receivable amounts are short-term and none are past due.

B. FINANCIAL LIABILITIES BY CATEGORY

	2022 £000	Unaudited 2021 £000
Financial Liabilities measured at amortised cost		
Trade payables	539	160
Accruals	476	517
Bounce back bank loan	34	44
Supplier loan	-	1,533
Related party loan	-	2,160
Convertible loan – liability component	-	2,266
Lease liabilities	4,598	3,258
	5,647	**9,938**
Financial Liabilities measured at FVTPL		
Convertible loan – derivative component		2,659
Contingent Consideration (Level 3)	-	375
	-	**3,034**

FAIR VALUE MEASUREMENT

The following valuation techniques were used for valuing instruments categorised in Levels 2 and 3.

Contingent Consideration (Level 3)

Contingent consideration payments are generally contingent on the post-acquisition performance of the acquired business and achievement of certain performance thresholds. The fair value of contingent consideration is determined based on actual and forecast business performance of the acquired business, discounted using the Group WACC as the discount rate. For further information please see Note 13.

Long-term incentive Scheme (Level 2)

The current Subsidiary Incentive Scheme participants and their respective holdings of B Share holdings are described in note 28 below. These shares are not traded on an active market, but the fair value is determined using valuation techniques and available market data, by reference to the Celadon Pharmaceutical plc share price and comparable entities.

Unlisted equity investments (Level 3)

Unlisted investments are categorised within level 3 of the fair value hierarchy. The valuation technique applied, except where specific market price information is available, is cost less any provision for impairment.

Fair value of financial instruments measured at amortised cost

The Directors consider the carrying amounts for trade and other receivables, trade and other payables, and the current portion of financial liabilities that are not measured at fair value, to approximate their fair values.

Reclassifications between fair value categories

No reclassifications between the three fair value categories took place during the year.

CREDIT AND LIQUIDITY RISK

Credit risk is managed on a Group basis. Funds are deposited with Barclays Bank plc in instant access accounts. All financial liabilities are payable in the short term (normally between 0 and 3 months) and the Group maintains adequate liquid bank balances to meet those liabilities as they fall due.

CAPITAL MANAGEMENT

The Group considers its capital to be equal to the sum of its total equity. The Group monitors its capital using cash flow projections. The Group's objective when managing its capital is to ensure it obtains sufficient funding for continuing as a growing concern.

INTEREST RATE RISK

The maximum exposure to interest rate risk at the reporting date by class of financial asset was £1,063k of VAT receivables and estimated R&D tax credit refunds.

	2022 £000	Unaudited 2021 £000
Cash and cash equivalents	5,061	3,823

The Group uses liquid resources to meet the cost of future development activities. Consequently, it seeks to minimize risk in the holding of its bank deposits. The Group is not financially dependent on the small rate of interest income earned on these resources and therefore the risk of interest rate fluctuations is not significant to the business and the Directors have not performed a detailed sensitivity analysis.

Nonetheless, the Directors take steps when possible and cost effective to secure rates of interest which generate a return for the Group by depositing sums which are not required to meet the immediate needs of the Group in interest-bearing deposits. Other balances are held in interest-bearing, instant access accounts. All deposits are placed with main clearing banks to restrict both credit risk and liquidity risk. The deposits are placed for the short term, between one and three months, to provide flexibility and access to the funds and to avoid locking into potentially unattractive interest rates.

MARKET RISK

Market risk arises from changes in interest rates, foreign exchange rates and equity prices, as well as in their correlations and volatility levels. Market risk is managed on a Group basis in the ordinary course of the Group's activities.

CURRENCY RISK

The Group currently operates in the UK market. All revenues are currently in GBP. The majority of the operating costs and capital expenditure items are incurred in GBP. The Group does not hedge potential future cashflows.

25. PROVISIONS – SITE RESTORATION OBLIGATION

	2022 £000	Unaudited 2021 £000
1 January	-	-
Provision made during the year	(389)	-
Finance charge –discount unwind	-	-
31 December	**(389)**	-

In 2019 Vertigrow Technology Limited signed a 25 year lease which included the option for the landlord to require the company (at the end of the lease in 2044) to repair the leasehold property to its original condition. The fair value of the site restoration obligation provision requires estimation and judgement.

The company estimated the site restoration total costs to be £435,000 at 31 December 2022. The provision has been calculated using a discount rate of 4.04% which is the risk-free rate in the UK.

The site restoration obligation has been debited to Right of Use assets in the Group's non-current assets (note 15).

26. SHARE CAPITAL AND RESERVES

A. ORDINARY SHARES

	2022 Number	*Unaudited 2021 Number*
1 January	8,033,409	6,130,000
Issued for cash	5,151,516	1,903,409
Issued for purchase of Vertigrow Technology Limited	43,316,201	-
Issued to redeem convertible loan notes in Vertigrow Technology Limited	5,168,647	-
31 December	**61,669,773**	**8,033,409**
Authorised (at par value per share of £0.01p each)	616,698	80,334

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

B. ISSUE OF ORDINARY SHARES

On 15 January 2021, the company issued 1,903,409 new ordinary shares and raised gross proceeds of £1.67 million (before fees).

During March 2022 the company issued:

- 43,316,201 new ordinary shares to acquire the entire share capital of Vertigrow Technology Limited
- 5,168,647 new ordinary shares to redeem the Vertigrow Technology Limited convertible loan notes
- 5,151,516 new ordinary shares and raised gross proceeds of £8.5 million (before fees) at £1.65p

C. ORDINARY SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	2022 Share capital £000	*2022 Share Premium £000*	*Unaudited 2021 Share capital £000*	*Unaudited 2021 Share Premium £000*
1 January	80	7,367	61	5,711
Issued for cash	52	8,448	19	1,656
Share issue expenses	-	(1,009)	-	-
Warrants issued	-	(18)	-	-
Issued for purchase of Vertigrow	433	-	-	-
Issued to redeem Convertible Loan Notes in Vertigrow	52	7,765	-	-
31 December	**617**	**22,553**	**80**	**7,367**

D. MERGER RELIEF AND REVERSE ACQUISITION RELIEF RESERVES

	2022 Merger relief reserve £000	2022 Reverse acquisition reserve £000	Unaudited 2021 Merger relief reserve £000	Unaudited 2021 Reverse acquisition reserve £000
1 January	-	(5,835)	-	(4,549)
Issue of shares by Summerway Capital Plc	-	-	-	(1,675)
PLC net assets at acquisition date (i)	-	5,751	-	-
Issued for purchase of Vertigrow Technology Limited	(ii) 65,082	(iii) (65,516)	-	-
Share based payment charge (iv)	-	6,400	-	-
Movement in year (i)	-	-	-	389
31 December	**65,082**	**(59,200)**	-	**(5,835)**

Reverse Acquisition Reserve

The reserve, arising on consolidation only, includes:

(i) the accumulated losses incurred prior to the reverse acquisition and the share capital and share premium of Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) at acquisition;

(ii) the value of the share premium on the shares issued to acquire all of the share capital of Vertigrow Technology Limited;

(iii) the value of share capital and share premium of Celadon Pharmaceuticals plc at acquisition;

(iv) the reverse acquisition share-based payment expense.

Merger Relief Reserve

Is a statutory, non-distributable reserve arising when conditions set out in section 612 of the Companies Act occur and relate to the share-premium from shares issued to acquire Celadon Property Co Limited.

E. WARRANT RESERVE AND CAPITAL REDEMPTION RESERVE

	2022 Warrant reserve £000	2022 Capital Redemption reserve £000	Unaudited 2021 Warrant reserve £000	Unaudited 2021 Capital Redemption reserve £000
1 January	-	49	-	49
Warrants issued	471	-	-	-
31 December	**471**	49	-	49

Capital Redemption Reserve

This is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a Company's own shares.

The Company was incorporated on 31 August 2018 with 50,000 Ordinary Shares of £1.

On 12 October 2018, those shares underwent a sub-division to create 50,000 Ordinary Shares of £0.01 and 50,000 Ordinary Shares of £0.99, and the £0.99 Ordinary Shares were re-designated as Deferred Shares.

On 19 October 2018, 6,080,000 Ordinary Shares of £0.01 were issued and the 50,000 Deferred Shares of £0.99 were cancelled.

Warrant Reserve

This reserve represents the fair value charge of warrants issued pursuant to equity-based payments in the form of warrants. The charge of £245k (£2021: £nil) represents the fair value of warrants issued to the Company's NOMAD Canaccord Genuity Limited for the 2022 IPO listing work, and £226k in respect of warrants issued to an advisor.

27. NON-CONTROLLING INTERESTS

The Group has non-controlling interests from:

a. the minority 42.5% holding in Harley Street (CPC) Limited attributable to the minority shareholder; and

b. the amounts subscribed for the B Ordinary Shares of Celadon Subco Limited pursuant to the Group's long term incentive plan.

HARLEY STREET (CPC) LIMITED

	2022 £000	*Unaudited* 2021 £000
NCI percentage	42.5%	42.5%
Non-current assets	21	25
Current assets	33	1,645
Current liabilities	(1,610)	(2,274)
Non-current liabilities	-	-
Net assets (liabilities)	**(1,556)**	**(604)**
Net assets (liabilities) attributable to NCI	(661)	(257)
Revenue	24	2
Operating loss	(920)	(547)
Net loss	**(953)**	**(592)**
Net loss attributable to NCI	(405)	(155)
Cash flow from operating activities	(78)	(338)
Cash flow from investment activities	(2)	(26)
Cash flows from financing activities	(1,541)	(2,000)
Net increase (decrease) in cash and cash equivalents	(1,621)	1,636

CELADON SUBCO LIMITED

In the year ended 31 December 2022, there were subscriptions for B Ordinary Shares totalling £23,300 (2021: £nil). The B Ordinary Shareholders have no entitlement to vote or any interest in the profits of Celadon Subco Limited. The B Ordinary Shares of Celadon Subco Limited have been issued as part of the Subsidiary Incentive Scheme (see note 28). The Subsidiary Incentive Scheme includes certain performance criteria with respect to the market capitalisation of the Group. As these performance criteria have not currently been met the Non-Controlling Interest arising from the B Ordinary Shares has been valued at the cost to repurchase the B Ordinary Shares.

	2022 £000	*Unaudited* 2021 £000
Non Controlling Interest	23	-

28. LONG TERM INCENTIVE PLANS

SUBSIDIARY INCENTIVE SCHEME

On 17 September 2018, the Company established its Subsidiary Incentive Scheme (using the B Ordinary Shares of Celadon Subco Limited) in order to incentivise and retain certain key employees and directors of, and advisers to, the Company. On 11 April 2022, the Company amended its Subsidiary Incentive Scheme following the acquisition of Celadon Property Co Limited and a number of directorate and personnel changes to the enlarged Group.

Under the terms of the Subsidiary Incentive Scheme, participants are entitled to subscribe for Subsidiary B Shares. Subsidiary B Shares provide the holder with a right to participate in any Shareholder value that is created over a predetermined level and over a three- to five-year period (or upon a change of control of the Company or the Subsidiary, whichever occurs first). This is calculated on a formula basis by reference to the growth in market capitalisation of the Company, following adjustments for the issue of any new Ordinary Shares and taking into account dividends and capital returns ("Shareholder Value").

On 11 April 2022, the Subsidiary Incentive Scheme was amended to create three classes of Subsidiary B Shares in issue under the Subsidiary Incentive Scheme:

- The 400,000 Subsidiary B Shares held by participants under the current Subsidiary Incentive Scheme (which commenced on 15 January 2021) were converted into B1 Shares. These B1 Shares will participate in up to 4 per cent of Shareholder Value created above a current threshold of £96,305,000 ("B1 Initial Value"), being the initial market cap of the Company, plus the amount of funds raised on 15 January 2021, plus the total subscription value of the Consideration Shares and the Placing Shares. The B1 Shares will only participate in that Shareholder Value, however, if the individual elements of the B1 Initial Value grow at an annual rate of 7.5 per cent (compounded), measured over a period of three to five years commencing on 15 January 2021.
- 650,000 B2 Shares were issued to advisers of Celadon. These B2 Shares will participate in up to 6.5 per cent of Shareholder Value created above a current threshold of £81,755,125 ("B2 Initial Value"), being the pre-Acquisition value of the Company plus a discounted value of the Celadon Group (to reflect pre-agreed incentive arrangements and the advisers' contribute to date) plus the total subscription value of the Placing Shares. The B2 Shares will only participate in that Shareholder Value, however, if the individual elements of the B2 Initial Value grow at an annual rate of 17.5 per cent (compounded), measured over a period of three to five years commencing on 28 March 2022.
- 600,000 B3 Shares were issued to selected management of Celadon, subject to a Call Option allowing the B3 Shares to be repurchased by the Company for the shares' nominal value in certain circumstances. The number of B3 Shares subject to the Call Option is reduced in three equal instalments on the first, second and third anniversaries of the acquisition of Celadon. These B3 Shares will participate in up to 6 per cent of Shareholder Value created above a current threshold of £101,755,125 ("B3 Initial Value"), being the pre-Acquisition value of the Company plus the total subscription value of the Consideration Shares and the Placing Shares. The B3 Shares will only participate in that Shareholder Value, however, if the individual elements of the B3 Initial Value grow at an annual rate of 17.5 per cent (compounded), measured over a period of three to five years commencing on 28 March 2022.

The current Subsidiary Incentive Scheme participants and their respective holdings of B Share holdings are noted below.

Name	*B1*	*B2*	*B3*	*Total*
Alexander Anton (Chairman)	75,000	166,666	-	241,666
Benjamin Shaw (former Director)	75,000	166,667	-	241,667
Mark Farmiloe (former Director)	75,000	166,667	-	241,667
Tony Morris (former Director)	125,000	-	-	125,000
Paul Gibson (former Director)	50,000	-	-	50,000
James Short (Chief Executive Officer)	-	-	200,000	200,000
Katie Long (former Chief Financial Officer)	-	150,000	-	150,000
Issued to other employees / consultants	-	-	400,000	400,000
Total	**400,000**	**650,000**	**600,000**	**1,650,000**

A summary of the B Shares are as follows:

Tranche	*B1*	*B2*	*B3*
Shares in issue	400,000	650,000	600,000
Subscription price	1.4p	1.44p	1.39p
Compound Growth	7.5% pa	17.5% pa	17.5% pa
Exercise period	15 January 2024 to 15 January 2026	29 March 2025 to 29 March 2027	29 March 2025 to 29 March 2027

The B Shares are financial instruments and have been fair valued using a Monte Carlo simulation with inputs of:

Tranche	*B1*	*B2*	*B3*
Risk free rate	1.99%	1.89%	1.89%
Volatility	33.0%	33.0%	33.0%
Dividend yield	0%	0%	0%
Market cap at measurement	£58.9 million	£58.9 million	£58.9 million

Volatility was estimated using the Celadon Pharmaceutical Plc share prices. Due to the limited share price history of the Company, volatility has been assessed against an international peer group of comparative entities. An annualised volatility range of 33% - 127% was developed within the peer group. Management estimated a volatility of 33%, reflecting the low volatility of the Celadon Pharmaceuticals Plc share price data post the reverse acquisition transaction.

The Long-Term Incentive Plan charge in the income statement for the year ended 31 December 2022 was £910k (2021: £nil) in respect of the Subsidiary Incentive Scheme.

ADVISOR WARRANTS

In March 2022, warrants were issued to one of the Company's advisors over 262,626 ordinary shares, to be issued in equal instalments in March 2023 and March 2024 as consideration for provision of services over that period. These warrants are to be issued at the nominal value of £0.01 per share. The fair value of this award was calculated as £226k.

29. RELATED PARTY TRANSACTIONS

DR. STEVE HAJIOFF

Dr. Steve Hajioff provided consultancy services to Harley Street (CPC) Limited prior to Celadon Property Co Limited's acquisition of its interest in that company.

Celadon Property Co Limited entered a consulting agreement with Dr. Steve Hajioff from 1 June 2021, which terminated on 28 March 2022 when he was appointed to the Board of Celadon Pharmaceuticals Plc. In the period ended 31 December 2022, £8,000 of consulting fees were charged to the company (2021: £11,000). At 31 December 2022, £nil was unpaid (2021: £nil).

KINGDOM THERAPEUTICS LIMITED ("KINGDOM")

Liz Shanahan is a Director and shareholder of Kingdom, and has been a Director of Celadon Pharmaceuticals Plc since September 2021.

On 7 June 2021, Celadon Property Co Limited subscribed for a 17% shareholding in Kingdom for £200,000. On 5 May 2022 Celadon Property Co Limited purchased an additional shareholding in Kingdom from a selling shareholder for £18,000. At 31 December 2022, Celadon Property Co Limited held a 18.8% total shareholding.

RELATED PARTY LOAN (BETWEEN SUMMERWAY CAPITAL PLC AND VERTIGROW TECHNOLOGY LIMITED)

In October 2021, Celadon Pharmaceuticals Plc provided Celadon Property Co Limited with a secured short-term working capital loan with 10% interest pa. At 31 December 2021 and 28 March 2022, £2,125,000 had been drawn down. Interest of £53,125 was incurred by Celadon Property Co Limited in the period from 31 December 2021 up to 28 March 2022. After 28 March 2022 the loan interest and balance have been eliminated on consolidation.

AFS ADVISORS LLP

AFS Advisors LLP is an entity indirectly and directly owned by Alexander Anton (Chairman of the Company) and Benjamin Shaw (a Director of the Company until 28 March 2022).

On 1 February 2021, Celadon Property Co Limited entered into an agreement with AFS Advisors LLP for the provision of strategic and general corporate advice, including IPO services. Under the terms of the agreement with Celadon Property Co Limited, AFS Advisors LLP were entitled to 5 per cent of shareholder value created over certain market capitalisation thresholds. Pursuant to the agreement, this entitlement was replaced by AFS Advisors LLP's participation in the Company's Subsidiary Incentive Scheme as described further in note 28.

On 14 January 2022, AFS Advisors LLP and Celadon Property Co Limited entered into an agreement under which AFS Advisors LLP would be entitled to receive an initial contingent transaction success fee of £350,000 on Admission for corporate finance and strategic advisory services provided as part of the transaction. Furthermore, under the terms of the agreement, Celadon Property Co Limited may at its election, award AFS Advisors LLP a discretionary fee of a further £580,000 within 12 months of Admission, which if paid, would equate to a total success fee of 1% of the pre-money value of the Enlarged Group. No discretionary payment has been made.

In the year ended 31 December 2022, £350,000 of fees were charged to the Company (2021: £nil). At 31 December 2022 £nil was unpaid (2021: £nil).

LONG DRIVE ADVISORS LLP ("LONG DRIVE")

Mark Farmiloe (a former Director of Celadon Pharmaceuticals Plc) is the LLP Designated Member of Long Drive.

On 9 July 2022, Celadon Pharmaceuticals plc entered into an agreement with Long Drive under which Long Drive agreed to provide general strategic and corporate financial advice.

In the year ended 31 December 2022, Long Drive charged £30,000 per month (plus VAT) payable in arrears. At 31 December 2022, £nil was unpaid.

TESSERA INVESTMENT MANAGEMENT LIMITED ("TESSERA")

Tony Morris (a former Director of Celadon Pharmaceuticals Plc), and Katie Long (the former Chief Financial Officer of Celadon Pharmaceuticals Plc) are the directors and shareholders of Tessera.

On 15 January 2021, Summerway Capital Plc entered into an agreement with Tessera pursuant to which Tessera agreed to provide strategic and general corporate advice, and M&A and capital raising transaction support services.

Tessera charged £12,500 per month (plus VAT) payable monthly in arrears from the date of the agreement. The agreement terminated on readmission of the Group to AIM on 28 March 2022. In the year ended 31 December 2022, £235,236 of fees were charged to the Company (2021: £165,000). At 31 December 2022 £50,763 was unpaid (2021: £nil).

On 3 March 2021, Vertigrow Technology Limited entered into an agreement with Tessera pursuant to which Tessera agreed to provide strategic and general corporate advice, and M&A and capital raising transaction support services. Under the agreement, Tessera was to participate in the Celadon Subco Limited share incentive scheme to be implemented in the region of 1.5 per cent of additional shareholder value created through such scheme, by way of an allocation to Katie Long on her appointment as CFO. This agreement was terminated on 28 March 2022.

This entitlement was replaced by Katie Long's participation in the Subsidiary Incentive Scheme (note 28) at re-admission on comparable terms.

On 28 July 2022, Celadon Pharmaceuticals plc reappointed Tessera as a strategic advisor to the Group. Under the new agreement Tessera agreed to continue to provide general corporate and strategic advice to the Company on the basis of four days of support per month for a fixed monthly retainer of £5,000 (plus VAT).

In the year ended 31 December 2022, £54,783 of advisory fees were charged to the Company (2021: £150,000). At 31 December 2022 £nil was unpaid (2021: £nil).

SUBSIDIARY INCENTIVE SCHEME

On the 11 April 2022, and pursuant to the amended Subsidiary Incentive Scheme detailed in note 28, a number of new B Shares were issued to former and current Directors of the Company at subscription prices ranging from £0.0139 to £0.0144 per B Share. The current allocation of B shares in issue to former and current Directors of the Company are set out below.

Name	*Previous B Shares held*	*Agreed buybacks*	*New B Shares issued pursuant to amended Scheme*	*Current B Shares held*
Alexander Anton (Chairman)	75,000	-	166,666	241,666
Benjamin Shaw (former Director)	75,000	-	166,667	241,667
Mark Farmiloe (former Director)	75,000	-	166,667	241,667
Tony Morris (former Director)	175,000	(50,000)	-	125,000
Vin Murria (former Director)	1,000,000	(1,000,000)	-	-
Paul Gibson (former Director)	50,000	-	-	50,000
James Short (Chief Executive Officer)	-	-	200,000	200,000
Katie Long (former Chief Financial Officer)	-	-	150,000	150,000
Issued to other employees / advisors	-	-	400,000	400,000
Total	**1,450,000**	**(1,050,000)**	**1,250,000**	**1,650,000**

Shortly after the issuance of the new B Shares detailed above, in accordance with the terms of the resignation letters of Vin Murria and Tony Morris, all of Vin Murria's B Shares and 50,000 of Tony Morris' B Shares were bought back from the Subsidiary on 11 April 2022 at their original subscription cost of £14,000 and £700 respectively.

MARKET PURCHASES

On 10 March 2022, Alexander Anton acquired 10,000 ordinary shares of Celadon Pharmaceuticals Plc as part of a secondary market transaction, which was announced on 10 March 2022. Following this and 209,569 ordinary shares held indirectly as a result of the share consideration paid by the Celadon Pharmaceuticals Plc to the shareholders of Celadon Property Co Limited, Alexander Anton's shareholding in the Company increased to 1,319,569 ordinary shares, representing 2.1 per cent of the Company's share capital.

30. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At 31 December 2022 the Group had committed capital expenditure amounts of £nil (2021: £nil).

31. SUBSEQUENT EVENTS

On 16 January 2023, the Group announced that its Midlands UK facility had been registered by the UK Medicines and Healthcare products Regulatory Agency ("MHRA") for the Good Manufacturing Practice ("GMP") manufacturing of its cannabis Active Pharmaceutical Ingredient.

On 14 March 2023, the Group announced that its Home Office Licence had been successfully updated to allow the commercial sale of its high Δ9-tetrahydrocannabinol product following the registration as a GMP manufacturer by the MHRA.

On 24 May 2023, the Group announced its Inaugural Supply Contract under which the Group will sell a minimum of £3m worth of product over 3 years, with first shipments due in Q4 2023.

On 29 May 2023, the Group signed a 2 year £7.0m Revolving Credit Facility. The borrowings are available to fund the Group's operating and capital expenditure. The Term Loan Agreement is repayable in the event that the Group finds an alternative source of funding which is sufficient to allow the repayment of the Term Loan Agreement.

On 31 May 2023, the Group purchased the 42.5% of the shares of Harley Street (CPC) Limited that it did not already own for a purchase price of £1.

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Company Statement of Financial Position
As at 31 December 2022

	Note	*2022* *£000*	*2021* *£000*
Non-current assets			
Investments	33	78,533	-
Total non-current assets		**78,533**	-
Current assets			
Trade and other receivables	34	3,014	2,145
Cash and cash equivalents	35	4,919	4,463
Total current assets		**7,933**	**6,608**
Current liabilities			
Trade and other payables	36	(351)	(198)
Total current liabilities		**(351)**	**(198)**
Net assets/liabilities		86,115	6,410
Shareholder's Equity			
Share capital	37	617	80
Share premium	37	22,553	7,367
Merger reserve	37	65,082	-
Warrant reserve	37	471	-
Share based payment reserve	37	910	-
Capital redemption reserve	37	49	49
Retained earnings	37	(3,567)	(1,086)
Total Equity		**86,115**	**6,410**

The Company's loss for the financial year was £2,481k (2021: £721k).

The notes on pages 75 to 80 form part of these financial statements.

The financial statements of Celadon Pharmaceuticals plc were approved by the Board of Directors on 2 June 2023 and were signed on its behalf by:

James Short - *Director*

Jonathan Turner - *Director*

CELADON PHARMACEUTICALS PLC
(FORMERLY SUMMERWAY CAPITAL PLC)

Company Statement of Changes In Equity
For the year ended 31 December 2022

	Share Capital £000	*Share premium £000*	*Merger reserve £000*	*Warrant reserve £000*	*Share based payment reserve £000*	*Capital redemption reserve £000*	*Retained earnings £000*	*Total equity £000*
Balance at 31 August 2020	**61**	**5,711**	-	-	-	**49**	**(365)**	**5,456**
Issue of shares in Celadon Pharmaceuticals plc	19	1,656	-	-	-	-	-	1,675
Loss for the period	-	-	-	-	-	-	(721)	(721)
Total comprehensive loss for the period	-	-	-	-	-	-	(721)	(721)
Balance at 31 December 2021	**80**	**7,367**	-	-	-	**49**	**(1,086)**	**6,410**
Issue of shares for acquisition of subsidiary	433	-	65,082	-	-	-	-	65,515
Share based payment charge				226	910	-	-	1,136
Settlement of convertible loan notes of Celadon Property Co Limited	52	7,765	-	-	-	-	-	7,817
Issue of shares for cash	52	8,448	-	-	-	-	-	8,500
Cost of share issue	-	(1,009)	-	-	-	-	-	(1,009)
Warrants issued	-	(18)	-	245	-	-	-	227
Loss for the period	-	-	-	-	-	-	(2,481)	(2,4811)
Total comprehensive loss for the period	-	-	-	-	-	-	(2,481)	(2,481)
Balance at 31 December 2022	**617**	**22,553**	**65,082**	**471**	**910**	**49**	**(3,567)**	**86,115**

32. ACCOUNTING POLICIES

Celadon Pharmaceuticals Plc is a company incorporated and domiciled in the UK. These Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) on the historical cost basis, except that derivative financial instruments are stated at their fair value.

In preparing these Financial Statements, the Company applied the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006. In these Financial Statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, accounting standards; and
- disclosures in respect of the compensation of key management personnel.

As the consolidated Financial Statements of Celadon Pharmaceuticals Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-based Payments in respect of Group settled share-based payments; and
- certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

As permitted by Section 408 of the Companies Act 2006, a separate statement of income for the Company has not been included in these Financial Statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

A. FINANCIAL INSTRUMENTS

Recognition and initial measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company's financial instruments comprise cash, trade and other receivables, unlisted investments, trade and other payables and long-term incentive arrangements.

Financial instruments are initially measured at fair value which is deemed to be the transaction price. Transaction costs arising on the issue of financial asset or liability are included in the initial measurement if they are directly attributable to the acquisition of the instrument, and the instrument is not measured at FVTPL on an ongoing basis. Where the financial asset or liability is measured at FVTPL, *transaction costs are immediately recognised in profit or loss.*

Classification and subsequent measurement

The Company classifies and subsequently measures its financial instruments in the following measurement categories:

- Amortised cost:
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVTOCI") (financial assets only)

All recognised financial assets and liabilities are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification under one of these categories.

FINANCIAL ASSETS

Trade and other receivables

For purposes of subsequent measurement, trade and other receivables are classified as financial assets measured at amortised cost.

They are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The Company will write-off financial assets, either in their entirety or a portion thereof, if there is no reasonable expectation of its recovery. A write-off constitutes a derecognition of a financial asset.

Cash and cash equivalents

The Company manages short-term liquidity through the holding of cash and highly liquid interest-bearing deposits. Only deposits that are readily convertible into cash with maturities of three months or less from inception, with no penalty of lost interest, are shown as cash and cash equivalents.

Unlisted Investments

The Company designates unlisted equity investments at FVTOCI, because these investments were on initial recognition held as long-term strategic investments that are not expected to be sold in the short to medium term.

Impairment of financial assets

An impairment loss allowance is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both. The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. This impairment loss allowance is reassessed at each reporting date.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities are classified and measured at FVTPL when (i) the financial liability is a contingent consideration to which IFRS 3 applies, or (ii) it is a derivative. Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss.

Trade and other payables

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Borrowings

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowings are initially recognised at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost using the effective interest method.

B. EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Equity comprises the following:

- **Called up share capital** represents the nominal value of the equity shares.
- **Share Premium** represents the excess over nominal value of the fair value of consideration received from the equity shares, net of expenses of the share issue.
- **Capital Redemption Reserve** is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.
- **Merger Relief Reserve** is a statutory, non-distributable reserve arising when conditions set out in section 612 of the Companies *Act occur and relate to the share-premium from shares issued to acquire Celadon Property Co Limited.*
- **Retained Deficit** represents accumulated net gains and losses from incorporation recognised in the Statement of Comprehensive Income.
- **Share based payment reserve** includes the accumulated costs of providing share based payments to certain of the Company's directors and advisors.
- **Warrant Reserve** represents the fair value of warrants issued as part of an equity-based payment.

C. TAXATION

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

33. UNLISTED INVESTMENTS

	2022 £000	*Unaudited* 2021 £000
At 1 January	15	10
Investment in Celadon Subco Limited	78,518	5
At 31 December	78,533	15

34. TRADE AND OTHER RECEIVABLES

	2022 £000	2021 £000
Intercompany receivables	425	-
Less Expected Credit Allowance	-	-
Net Trade Receivables	425	-
Prepayments	56	10
VAT	157	10
Related Party Loan	2,376	2,125
	3,014	2,145

35. CASH & CASH EQUIVALENTS

	2022 *£000*	*2021* *£000*
Cash and cash equivalents	4,919	4,463

Cash at bank comprises of balanced held by the Group in current bank accounts. The carrying amount of these assets approximated to their fair value.

36. TRADE AND OTHER PAYABLES

	2022 *£000*	*2021* *£000*
Trade payables	89	42
Accruals	219	132
Other taxes and social security costs	20	4
Amounts owed to subsidiary undertaking	23	20
	351	**198**

37. SHARE CAPITAL AND RESERVES

A. ORDINARY SHARES

	2022 *Number*	*Unaudited* *2021* *Number*
1 January	8,033,409	6,130,000
Issued for cash	5,151,516	1,903,409
Issued for purchase of Vertigrow Technology Limited	43,316,201	-
Issued to redeem convertible loan notes in Vertigrow Technology Limited	5,168,647	-
31 December	**61,669,773**	**8,033,409**
Authorised (at par value per share of £0.01p each)	616,698	80,334

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

B. ISSUE OF ORDINARY SHARES

On 15 January 2021, the company issued 1,903,409 new ordinary shares and raised gross proceeds of £1.67 million (before fees).

During March 2022 the company issued:

- 43,316,201 new ordinary shares to acquire the entire share capital of Vertigrow Technology Limited
- 5,168,647 new ordinary shares to redeem the Vertigrow Technology Limited convertible loan notes
- 5,151,516 new ordinary shares and raised gross proceeds of £8.5 million (before fees) at £1.65p

C. *ORDINARY SHARE CAPITAL AND SHARE PREMIUM ACCOUNT*

	2022 Share capital £000	2022 Share Premium £000	Unaudited 2021 Share capital £000	Unaudited 2021 Share Premium £000
1 January	80	7,367	61	5,711
Issued for cash	52	8,448	19	1,656
Share issue expenses	-	(1,009)	-	-
Warrants issued	-	(18)	-	-
Issued for purchase of Vertigrow	433	-	-	-
Issued to redeem Convertible Loan Notes in Vertigrow	52	7,765	-	-
31 December	617	22,553	80	7,367

D. *RESERVES RELATING TO THE REVERSE ACQUISITION OF VERTIGROW TECHNOLOGY LIMITED*

	2022 Merger relief reserve £000	Unaudited 2021 Merger relief reserve £000
1 January (i)	-	-
Issued for purchase of Vertigrow Technology Limited	65,082	-
31 December	65,082	-

MERGER RELIEF RESERVE

The merger relief reserve is a statutory, non-distributable reserve arising when conditions set out in section 612 of the Companies Act occur and relate to the share-premium from the 43,316,201 ordinary shares issued to acquire Celadon Property Co Limited, valued using the average share price for the date the Company was readmitted to trading on AIM of £1.5125.

E. *WARRANT RESERVE AND CAPITAL REDEMPTION RESERVE*

	2022 Warrant reserve £000	2022 Capital Redemption reserve £000	Unaudited 2021 Warrant reserve £000	Unaudited 2021 Capital Redemption reserve £000
1 January	-	49	-	49
Warrants issued	245	-	-	-
31 December	245	49	-	49

CAPITAL REDEMPTION RESERVE

This is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a Company's own shares.

The Company was incorporated on 31 August 2018 with 50,000 Ordinary Shares of £1.

On 12 October 2018, those shares underwent a sub-division to create 50,000 Ordinary Shares of £0.01 and 50,000 Ordinary Shares of £0.99, and the £0.99 Ordinary Shares were re-designated as Deferred Shares.

On 19 October 2018, 6,080,000 Ordinary Shares of £0.01 were issued and the 50,000 Deferred Shares of £0.99 were cancelled.

WARRANT RESERVE

This reserve represents the fair value charge of warrants issued pursuant to equity-based payments in the form of warrants. The charge of £471k (nil) represents the fair value of warrants issued to the Company's NOMAD Canaccord Genuity Limited for the 2022 IPO listing work £245k (£2021: £nil), and warrants issued to an advisor for ongoing services of £226k (2021: nil).

F. SHARE BASED PAYMENT RESERVE

	2022 Share based payment reserve £000	*Unaudited 2021 Share based payment reserve £000*
1 January	-	-
Warrants issued	*910*	-
31 December	**910**	-

This reserve represents the fair value charge of the Subsidiary Incentive Scheme of £910k (2021: nil).

38. SUBSEQUENT EVENTS

On 29 May 2023, the Company signed a 2 year £7.0m Revolving Credit Facility. The borrowings are available to fund the Group's operating and capital expenditure. The Term Loan Agreement is repayable in the event that the Group finds an alternative source of funding which is sufficient to allow the repayment of the Term Loan Agreement.