Celadon Pharmaceuticals Plc (formerly Summerway Capital Plc)

("Celadon", the "Company" or the "Group")

Interim Report for the six months ended 30 June 2022

London, 29 September 2022 – Celadon Pharmaceuticals Plc (AIM: CEL) today announces its unaudited condensed interim results for the six months ended 30 June 2022.

Strategic and operational highlights for the period and post period end

- Achieved AIM readmission following the reverse takeover of Vertigrow Technology Ltd
- Successfully completed seventh harvest from Phase 1 grow facility, with independent third-party testing from the select test batches confirming high quality, consistent pharmaceutical grade cannabis with high THC profile
- Internal and independent third-party GMP audits completed, and request issued to MHRA for inspection at earliest possible date, anticipated to occur in Q4 2022
- Continuation of Phase 2 grow facility build, which remains on track to become operational in Q1 2023. On completion, the Company believes it will have the potential to expand its grow capacity to three tonnes per year
- High level of new patient enquiries to LVL clinic generated; feedback from initial patients reporting improvements in quality of life. Feasibility study has now formally commenced, enabling the Company to submit the results to REC before the end of 2022
- Increased shareholding in Kingdom Therapeutics, the early-stage pharmaceutical company focused on the research and development of the endocannabinoid system for those with neurological disorders from 17% to 19%
- Post period end, R&D collaboration agreement signed with Phytome Life Sciences, a leading UK Government licenced cannabinoid R&D company, to explore the development of novel pharmaceutical medicines, including using Celadon's API

Financial highlights for the period

- Revenue of £11,258 (June 2021: £nil)
- Operating loss of £1,982,488 (June 2021: £1,032,284)
- Loss before tax of £13,458,323 (June 2021: £1,949,526)
- Cash at 30 June 2022 of £9,075,413 (June 2021: £2,848,289), with current cash as at 26 September 2022 of £7.3 million

James Short, CEO of Celadon, commented:

"The year to date has seen considerable developments and growth for Celadon. After the Company's readmission to AIM in March, we have been making progress on many fronts. As at August 2022, we completed seven harvests of high THC cannabis from our Phase 1 grow rooms and we have now formally requested that the MHRA schedule an inspection of the facility. Should the inspection be successful, we believe we will be one of a limited number of GMP approved medical cannabis facilities in the world.

"We are pleased with the rate of progress we have achieved in the short time since listing, including the successful launch of our chronic pain clinic and the signing of a new R&D collaboration. During the second half of the year we are determined to continue to advance the business, and we believe that

our patient-centric approach combined with our decision to pursue the regulated, pharmaceutical route to market will ultimately transform patient outcomes for the better."

Analyst briefing: 9.00am today

James Short, Chief Executive Officer, will host a virtual presentation followed by a Q&A session for analysts at 9.00am BST today. Please contact Powerscourt at celadon@powerscourt-group.com / tel: +44 (0) 20 7250 1446 for details. A copy of the presentation will be published on the Company's website at www.celadonpharma.co.uk

Investor Presentation: 2.30pm today

Management will be hosting a live presentation and Q&A session today at 2.30pm, via the online platform Investor Meet Company. Investors can sign up to Investor Meet Company for free and attend the presentation via the following link: https://www.investormeetcompany.com/celadon-pharmaceuticals-plc/register-investor

Questions can be submitted pre-event and at any time during the live presentation via the Investor Meet Company platform.

Enquiries:

Celadon Pharmaceuticals Plc	
James Short Arthur Wakeley	Via Powerscourt
Canaccord Genuity Limited (Nominated Adviser and Broker)	
Bobbie Hilliam / Andrew Potts / Patrick Dolaghan	+44 (0)20 7523 8000
Powerscourt Group	
Sarah MacLeod / Nick Johnson / Sam Austrums / Ibrahim Khalil	+44 (0)20 7250 1446 celadon@powerscourt-group.com

About Celadon Pharmaceuticals Plc

Celadon Pharmaceuticals Plc is a UK based pharmaceutical company focused on the research, cultivation, manufacturing, and sale of breakthrough cannabis-based medicines. Its primary focus is on improving quality of life for chronic pain sufferers, as well as exploring the potential of cannabis-based medicines for other conditions such as autism. Its 100,000 sq. ft UK facility comprises a laboratory designed to meet GMP standards, and capacity for a large indoor hydroponic growing facility that has received a Home Office Licence to legally grow high-THC medicinal cannabis for the purpose of producing test batches of cannabis oil to support its application to the MHRA. The Company's subsidiary, LVL, owns a MHRA conditionally-approved cannabis trial using cannabis based medicinal products to treat chronic pain in the UK.

For further information please visit our website www.celadonpharma.co.uk

Chief Executive Officer's Statement

Introduction & Overview

I am delighted to present Celadon's interim results for the six months ended 30 June 2022, which has been a period of strong operational and strategic progress for the Group.

These results, our first as a public company, follow our successful readmission to AIM in March 2022 as a result of the reverse takeover of Vertigrow 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 a matter of a few short years, cannabis-based medicinal products ("CBMPs") have expanded rapidly in several international geographies, with a growing evidence base for their safety and efficacy. 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 and approximately 100 million in Europe.

We aim to position Celadon as one of the UK leaders in breakthrough cannabis-based medicines, and we believe we have the strategy to unlock the market by building on our early-mover advantage in this highly regulated sector, as one of only two such companies with the relevant Home Office and MHRA licences to cultivate and extract high-quality cannabis in the UK for the purposes of producing test batches of cannabis oil. Our majority owned subsidiary, LVL Health, is in the advanced stages of the approval process to be the prospective sponsor of an MHRA and Research Ethics Committee ("REC") authorised clinical trial for medicinal cannabis for patients suffering chronic pain in the UK. We believe that once approved by the MHRA and REC, it will be the only authorised trial investigating the use of medicinal cannabis for the treatment of chronic pain in the UK at the time it commences. Celadon's in-house R&D team continues to work on developing advanced cannabinoid medicines for further clinical trials.

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 and approximately 100 million in Europe. CBMPs are expanding rapidly internationally across a number of territories including Germany and Australia
- **Growing evidence of efficacy in chronic pain:** there is a growing evidence base for the safety and efficacy of CBMPs, which LVL is experiencing through the early results from the first patients on LVL's chronic pain study. The current standard of care – opioids – is estimated to work for only 5-10% of patients, with widespread evidence noting the harmful side effects of long term opioid use

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 develop breakthrough cannabis-based medicines for patients. It builds on the Company's considerable progress to-date, which positions it as what we believe are one of only two companies to have the Home Office licence of its kind for producing test batches of cannabis oil, with a cultivation and Good Manufacturing Practice ("GMP") aligned facility. The regulatory and capital barriers to entry remain high, and successful MHRA registration and GMP certification, together with the grant of a further licence from the Home Office permitting supply for manufacture into finished medicinal products, would allow Celadon to become one of the first companies in the UK to be able to sell licensed GMP grade high-THC cannabis-based medicines.

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, low-quality product; capability to cultivate, extract to API, distribute flower and cuttings, and sell to the market
- **Trial:** conduct clinical trials to demonstrate safety and efficacy, 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

Operational update

Since readmission 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 test batches of high THC medical cannabis from the Phase 1 grow rooms for the purpose of supporting its application for MHRA registration as a manufacturer of medicinal product Active Pharmaceutical Ingredients ("APIs"). The harvested cannabis flower product has since undergone 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 has 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 harvested high THC cannabis is currently being stored and processed by the Company for the purposes of its MHRA inspection, which is noted in more detail below, as part of its GMP certified medical grade cannabis application.

Celadon has been working closely with the Home Office and has been successful in its application to expand its Home Office licence, which now allows for increased permitted storage of cannabis products at its Midlands based facility, and has received the necessary approvals to export its cannabis products for the purposes of analytical testing.

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) and processing capacity. It is on track for its Phase 2 facility to become operational by Q1 2023 and, once completed, the Company 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. Although our build and resourcing plans have not been immune to inflationary cost pressures, we continue to mitigate where possible to ensure the build programme remains on track, for example, by bringing inhouse the project management activity and rephasing certain aspects of the build. Since the beginning of the period the Company has spent approximately £1.4 million on developing Phase 2 production capacity.

MHRA certification

The Celadon team have worked hard over the period and post period end in preparing the Company for its MHRA inspection, which is required to receive MHRA certification. This includes successfully completing internal audits conducted via third party professional advisers, independent third party analytical testing of cannabis batches, and initial extractions of flower to API using Celadon's proprietary high-tech extraction process.

Based on this progress, the Company has requested that MHRA schedule an inspection at the earliest possible opportunity. The timing for the inspection will be dependent on resourcing availability at the MHRA, but the Company anticipates it occurring during Q4 2022.

On the basis of a successful MHRA inspection, and subsequent receipt of MHRA certification and the grant of a further licence from the Home Office permitting supply for manufacture into finished pharmaceutical products, the Directors believe that the Company will become one of the first in the UK to be licensed to grow and sell high-THC GMP grade API from its own facility, and one of a limited number of GMP approved medical cannabis facilities in the world.

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 commences, REC requested a feasibility study, designed to demonstrate the ability to engage and retain patients.

The Company has commenced the enrolment of patients onto the feasibility study, which has now formally started. In accordance with REC's request, this will enable the Company to formally submit the results of the study for approval before the end of 2022. To support the application, the Company has also requested a pre-submission meeting with REC in Q4 2022.

LVL is continuing to onboard patients into the feasibility study. Enquiries from patients interested in participating have surpassed the Company's expectations with over 1,500 potential leads generated. Following some early delays in patient onboarding (as reported in the June 2022 Business Update), LVL has continued to work hard to improve its onboarding processes so that the patient journey becomes more efficient. The Company anticipates seeing the benefit of this work during Q4 this year.

Initial feedback from patients who have received treatment has been positive, with improvements in quality of life being reported.

In the period, LVL also received Care Quality Commission approval for its clinic on Harley Street in London, and the clinic is now able to see patients in-person.

Breakthrough R&D

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

To support this goal of developing novel cannabis-based medicines for the pharmaceutical prescription market, in September, Celadon entered into an initial partnership agreement to collaborate with Phytome Life Sciences 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 will explore the potential to develop novel medicines for the UK pharmaceutical market. By working with a third-party R&D specialist partner, Celadon should be able to accelerate and expand its R&D pipeline with reduced financial and execution risk.

During the period, the Company also increased its stake in Kingdom Therapeutics, the early-stage pharmaceutical company focused on the research and development of the endocannabinoid system for those with neurological disorders, from 17% to 19%.

Commercialisation

Celadon has held a number of positive discussions regarding sales of its medical cannabis, both in the UK and internationally. For sale as an end pharmaceutical product, the Company is required to obtain MHRA certification and a subsequent Home Office licence before it can sell cultivated medical cannabis commercially.

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.

As a UK pharmaceutical company aiming to develop medicines that might one day be reimbursed on the UK's National Health Service ("NHS"), Celadon will work 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.

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.

Outlook

While the UK market for CBMPs is early in its development, we remain confident regarding the medium to long term sector outlook and the prospects for Celadon within this market. We believe that our highly regulated, pharmaceutical approach is the most effective route to ensuring that patients' needs are met, and that receipt of the registration to be an MHRA-approved facility and the grant of a further licence from the Home Office permitting supply for manufacture into finished medicinal products, together with approval by REC to commence an MHRA approved trial, will give us a significant early-mover advantage. Our progress towards these important milestones sets us at the forefront of this burgeoning market, and in line with the strategy as set out in the Company's admission document, positions us well for revenue generation in 2023.

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 the Vertigrow Technology Ltd group of companies (Vertigrow) to create the Celadon Pharmaceuticals Plc group.

The Vertigrow group of companies includes the 100% shareholding in Celadon Pharma Ltd and the 57.5% shareholding in Harley Street (CPC) Limited.

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 48,848,484 new ordinary shares to the Vertigrow shareholders and to redeem the Vertigrow convertible loan notes.

Post 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 Technology Ltd, 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 if Vertigrow had acquired Summerway and its AIM listing. As a result, and unlike a traditional acquisition, the value of £80 million ascribed to Vertigrow will not be capitalised as non-current asset, but instead recorded in shareholders' equity in the Company's balance sheet.

Instead, the balance sheet at 30 June 2022 shows the acquisition of Summerway by Vertigrow, which occurred on 28 March 2022. The income statement and statement of cash flows shows for the six months ended 30 June 2022 are the results of Vertigrow with the inclusion of Summerway from 28 March 2022. The balance sheets at 30 June 2021 and 31 December 2021 are also those of Vertigrow standalone. The income statement and statement of cash flows for the six months ended 30 June 2021 and the year ended 31 December 2021 are those of Vertigrow only as well.

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 Technology Ltd 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 interim financial statements.

Revenues - in the six months ended 30 June 2022, the Group recorded revenues from our Harley Street (CPC) Limited clinical study of £11,258 (£nil in the six months ended 30 June 2021 and £1,500 for the year ended 31 December 2021).

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 six months ended 30 June 2022, the Company reported a gross loss of £12,409 versus £nil for the six months ended 30 June 2021 and a loss of £10,383 for the year ended 31 December 2021. The gross losses were due to the mix of paying and non-paying patients in these early days of LVL's feasibility study.

Operating costs - include all people costs, property costs (including utilities, repairs and maintenance), marketing, and legal and professional costs. These totalled £1.8 million in the six months ended 30 June 2022 versus £0.9 million (for the six months ended 30 June 2021) and £2.4 million (year ended 31 December 2021), 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 six months ended 30 June 2022 was £2.0 million versus £1.0 million for the six months ended 30 June 2021, and £2.7 million for the year ended 31 December 2021.

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 six months ended 30 June 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 six months ended 30 June 2022 we incurred £1.5 million of advisers costs. (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 categorized 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 VTL shares immediately prior to the acquisition by Summerway. In the six months ended 30 June 2022, the Group recorded a finance charge of £3.4 million on the convertible loan notes, and a finance credit of £556,000 on the derivative liability. These are non-cash items as the loan notes converted into equity on 28 March 2022. (See note 14.)

Both of these costs are non-recurring.

Contingent consideration relating to our investment in Harley Street (CPC) Ltd – in June 2022 we recognised a finance credit of £375,000 – the release of a contingent payment relating to our investment in Harley Street (CPC) Limited. This is a non cash, non-recurring item. (See note 11.)

Finance charge for the Subsidiary Incentive Scheme - Summerway has a share based long term incentive plan for certain directors, advisors and employees. In the six months ended 30 June 2022, the Group recognised a £769,000 charge for this Subsidiary Incentive Scheme. (See note 15.)

Finance charges on our leased assets - Vertigrow has a Right Of Use lease on its production facility with 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 £264,000 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; and (b) a 3 year production equipment leased asset was taken on in the six months ended 30 June 2022. (See note 17.)

Loan interest charges - Vertigrow had three loan funding lines: (a) a UK 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 £53,000 is for the period prior to 28 March 2022, and after that date is eliminated on consolidation. (See note 13.)

Non Current Assets - in the six months ended 30 June 2022, the Group continued its capex build, increasing property, plant and equipment by £1.1 million, and increased the Right of Use asset (and associated lease liability) due to a lease variation on the business property and entering a new small equipment lease. (See note 8.)

Current Assets - increased with IPO placing proceeds. Cash balances at 30 June 2022 were £9.1 million.

Current Liabilities - reduced as the £4.13 million convertible loan note converted to equity on 28 March 2022. The £2.2 million related party loan between Summerway Capital Plc and Vertigrow Technology Ltd 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 11).

Non-current liabilities - (a) increased as the lease liability increased (by £1.4 million) due to the property lease variation and a new small equipment lease; and (b) decreased with the repayment of the supplier loan of £1.5 million (in February 2022).

Net assets - at 30 June 2022 were £10.7 million.

Shareholders' Equity - Share Capital including Share Premium and the Merger Relief Reserve total £88.3 million at 30 June 2022 following the IPO and acquisition of Vertigrow Technology Ltd 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 Technology Ltd); the Retained losses (increased to £18.2 million) and the Non-controlling Interest (£468,000) increased with the losses in the six months ended 30 June 2022.

Cash outflows from operating activities - for the six months ended 30 June 2022 were £3.0 million versus £1.1 million for the six months ended 30 June 2021 and £3.1 million for the year ended 31 December 2021. The main spend items include people, advisers and utility costs.

Investing activities - in the six months ended 30 June 2022 capex items totalled £1.2 million. The Group increased its investment in Kingdom Therapeutics Limited by £18,000 (to £218,000). The Group also received £3.5 million of cash inflow on the acquisition of Summerway Capital Plc. In the six months ended 30 June 2021 we spent £304,000 on capex items and invested £200,000 in Kingdom Therapeutics Limited. In the year ended 31 December 2021 capex items totalled of £542,000, and we invested £500,000 acquiring 57.5% of the issued share capital of Harley Street (CPC) Limited in addition to our £200,000 investment in Kingdom Therapeutics Limited.

Financing activities - in the six months ended 30 June 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 six months ended 30 June 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 Technology Ltd vendors.

Cash balance - at 30 June 2022 the Group had £9.1 million in cash.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six-month period ended 30 June 2022

	Note	Six months ended 30 June 2022 Unaudited £	Six months ended 30 June 2021 Unaudited and restated £	Year ended 31 December 2021 Unaudited £
Revenue	6	11,258	-	1,500
Cost of sales		(23,667)	-	(11,883)
Gross Loss		**(12,409)**	**-**	**(10,383)**
Operating costs		(1,799,317)	(914,119)	(2,383,447)
Depreciation and amortisation	8, 9	(170,762)	(118,165)	(269,619)
Operating loss		**(1,982,488)**	**(1,032,284)**	**(2,663,449)**
Share-based payment charge as a result of listing	5	(6,399,526)	-	-
Reverse acquisition costs	5	(1,464,653)	(783,297)	(777,476)
Long term incentive plan	15	(768,766)	-	-
Finance charge on leased assets	17	(264,414)	(185,792)	(383,595)
Finance charge on convertible loan note	14	(3,448,677)	(102,182)	(191,440)
Finance gain/ charge on derivative liability	14	555,929	154,730	(659,891)
Contingent consideration release	11	374,768	-	-
Loan interest	13	(62,988)	(808)	(70,325)
Finance interest income		2,492	107	191
		(11,475,835)	(917,242)	(2,082,536)
Loss before taxation		**(13,458,323)**	**(1,949,526)**	**(4,745,985)**
Taxation		-	-	-
Loss for the period, being total comprehensive loss for the period		**(13,458,323)**	**(1,949,526)**	**(4,745,985)**
Loss attributable to:				
Owners of the Company		(13,247,155)	(1,949,526)	(4,590,707)
Non-controlling interests		(211,168)	-	(155,278)
		(13,458,323)	**(1,949,526)**	**(4,745,985)**
Basic and diluted loss per share	7	(25.1p)	(4.4p)	(10.4p)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	As at 30 June 2022 Unaudited £	As at 30 June 2021 Unaudited and restated £	As at 31 December 2021 Unaudited £
Non-current assets				
Intangible assets	10	1,092,136	80,297	1,092,136
Property, plant and equipment	8	2,063,628	883,708	1,020,703
Right of use assets	9	3,247,204	2,335,473	2,285,248
Investments	12	218,000	200,000	200,000
Total non-current assets		**6,620,968**	**3,499,478**	**4,598,087**
Current assets				
Inventories		21,187	-	2,494
Trade and other receivables		719,562	98,781	263,518
Cash and cash equivalents		9,075,413	2,848,289	3,823,234
Total current assets		**9,816,162**	**2,947,070**	**4,089,246**
Current liabilities				
Trade and other payables		(1,188,283)	(878,115)	(751,294)
Bounce back loan	13	(10,000)	(10,000)	(10,000)
Convertible loan notes	14	-	(4,020,951)	(4,924,831)
Lease liabilities	17	(208,112)	(150,000)	(337,500)
Contingent consideration	11	-	-	(374,768)
Related party loan	13	-	-	(2,160,417)
Total current liabilities		**(1,406,395)**	**(5,059,066)**	**(8,558,810)**
Non-current liabilities				
Bounce back loan	13	(29,167)	(39,167)	(34,167)
Lease liabilities	17	(4,341,849)	(2,909,609)	(2,919,912)
Supplier loan	13	-	-	(1,533,510)
Total non-current liabilities		**(4,371,016)**	**(2,948,776)**	**(4,487,589)**
Net assets/liabilities		**10,659,719**	**(1,561,294)**	**(4,359,066)**
Shareholder's Equity				
Share capital		616,697	80,334	80,334
Share premium		22,553,363	7,367,052	7,367,052
Reverse acquisition reserve	5	(59,200,312)	(5,935,088)	(5,835,088)
Warrant reserve		245,000	-	-
Merger relief reserve		65,082,592	-	-
Capital redemption reserve		49,500	49,500	49,500
Retained earnings		(18,219,361)	(3,123,092)	(5,764,272)
		11,127,479	(1,561,294)	(4,102,474)
Non-controlling interest		(467,760)	-	(256,592)
Total Equity		**10,659,719**	**(1,561,294)**	**(4,359,066)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED AND RESTATED)
For the six months ended 30 June 2022

	Share Capital Unaudited £	Share premium Unaudited £	Merger relief reserve Unaudited £	Reverse acquisition reserve Unaudited £	Warrant reserve Unaudited £	Capital Redemption reserve Unaudited £	Retained earnings Unaudited £	Equity attributable to owners of the parent Unaudited £	Non-controlling interest Unaudited £	Total equity Unaudited £
Balance at 31 December 2020	**61,300**	**5,711,086**	-	**(4,549,286)**	-	**49,500**	**(1,173,566)**	**99,034**	-	**99,034**
Issue of shares in Summerway Capital Plc	19,034	1,655,966	-	(1,675,000)	-	-	-	-	-	-
Movement on Reverse Acquisition Reserve	-	-	-	289,198	-	-	-	**289,198**	-	**289,198**
Loss for the period	-	-	-	-	-	-	(1,949,526)	**(1,949,526)**	-	**(1,949,526)**
Total comprehensive loss for the period	-	-	-	-	-	-	(1,949,526)	**(1,949,526)**	-	**(1,949,526)**
Balance at 30 June 2021	**80,334**	**7,367,052**	-	**(5,935,088)**	-	**49,500**	**(3,123,092)**	**(1,561,294)**	-	**(1,561,294)**
Acquisition of 57.5% of Harley Street (CPC) Limited	-	-	-	-	-	-	-	-	(101,314)	**(101,314)**
Movement on Reverse Acquisition Reserve	-	-	-	100,000	-	-	-	**100,000**	-	**100,000**
Loss for the period	-	-	-	-	-	-	(2,641,180)	**(2,641,180)**	(155,278)	**(2,796,458)**
Total comprehensive loss for the period	-	-	-	-	-	-	(2,641,180)	**(2,641,180)**	(155,278)	**(2,796,458)**
Balance at 31 December 2021	**80,334**	**7,367,052**	-	**(5,835,088)**	-	**49,500**	**(5,764,272)**	**(4,102,474)**	**(256,592)**	**(4,359,066)**
Recognition of PLC Net Assets at acquisition date	-	-	-	5,751,004	-	-	-	**5,751,004**	-	**5,751,004**
Issue of shares for acquisition of subsidiary	433,162	-	65,082,592	(65,515,754)	-	-	-	-	-	-
Share-based payment charge	-	-	-	6,399,526	-	-	792,066	**7,191,592**	-	**7,191,592**
Settlement of convertible loan notes of Vertigrow Technology Ltd	51,686	7,765,893	-	-	-	-	-	**7,817,579**	-	**7,817,579**
Issue of shares for cash	51,515	8,448,486	-	-	-	-	-	**8,500,001**	-	**8,500,001**
Cost of share issue	-	(1,009,180)	-	-	-	-	-	**(1,009,180)**	-	**(1,009,180)**
Warrants issued	-	(18,888)	-	-	245,000	-	-	**226,112**	-	**226,112**
Loss for the period	-	-	-	-	-	-	(13,247,155)	(13,247,155)	(211,168)	**(13,458,323)**
Total comprehensive loss for the period	-	-	-	-	-	-	(13,247,155)	(13,247,155)	(211,168)	**(13,458,323)**
Balance at 30 June 2022	**616,697**	**22,553,363**	**65,082,592**	**(59,200,312)**	**245,000**	**49,500**	**(18,219,361)**	**11,127,479**	**(467,760)**	**10,659,719**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2022

	Six months ended 30 June 2022 Unaudited £	Six months ended 30 June 2021 Unaudited and Restated £	Year ended 31 December 2021 Unaudited £
Cash flows from operating activities			
Loss for the period	**(13,458,323)**	**(1,949,526)**	**(4,745,985)**
Adjustments for:			
Depreciation and amortisation	170,762	118,165	269,619
Finance charges on leased assets	264,414	185,792	383,595
Finance charge on convertible loan notes	3,448,677	61,897	151,155
Convertible loan transaction costs	-	40,285	40,285
Finance charge on derivative liability	(555,929)	(154,730)	659,891
Finance charge on loans	61,390	106	69,623
Long term incentive plan	768,766	-	-
Warrant costs	226,112	-	-
Reverse acquisition share-based payment	6,399,526	-	-
Contingent consideration release	(374,768)	-	-
Other finance cost (net)	(893)	595	511
Operating cash flow before working capital movements	**(3,050,266)**	**(1,697,416)**	**(3,171,306)**
(Increase)/decrease in trade and other receivables	(385,469)	329,158	171,718
Increase/(decrease) in trade and other payables	437,970	217,423	(147,781)
(Increase)/decrease in inventories	(18,693)	9,790	-
Cash outflow from operating activities	**(3,016,458)**	**(1,141,045)**	**(3,147,369)**
Investing activities			
Cash acquired on reverse acquisition	3,494,287	-	-
Cash spent on acquisition of Harley Street (CPC) Limited	-	-	(500,000)
Purchase of property, plant and equipment	(1,152,589)	(303,802)	(542,026)
Purchase of investments	(18,000)	(200,000)	(200,000)
Net cash inflow /(outflow) from investing activities	**2,323,698**	**(503,802)**	**(1,242,026)**
Financing activities			
Interest received (paid)	893	(595)	(512)
Proceeds from convertible loan notes (net of costs)	-	4,073,500	4,073,500
Supplier loan – interest payment	(41,250)	-	-
Supplier loan – proceeds/(repayment)	(1,500,000)	-	1,500,000
Bounce Back loan – interest	(525)	(106)	(696)
Bounce Back loan - repayment	(5,000)	(833)	(5,833)
Proceeds on issuing share capital, net of issue costs	7,490,821	289,198	389,198
Intercompany funding prior to reverse acquisition	-	-	2,125,000
Debt repayment	-	(167,507)	(167,507)
Net cash inflow from financing activities	**5,944,939**	**4,193,657**	**7,913,150**
Net increase in cash and cash equivalents	**5,252,179**	**2,548,810**	**3,523,755**
Cash and cash equivalents at beginning of period	3,823,234	299,479	299,479
Cash and cash equivalents at end of period	**9,075,413**	**2,848,289**	**3,823,234**

NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the six-months ended 30 June 2022

1. About Celadon Pharmaceuticals Plc

Celadon Pharmaceuticals Plc (the "Company"), formerly Summerway Capital Plc, 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.

In the period up to 28 March 2022, the activity of the Company was the investment, acquisition and subsequent development of companies where the Directors believe there were tangible opportunities to drive strategic, operational and performance improvement, either as a standalone entity or as a result of broader initiatives.

On 28 March 2022, the Company completed the acquisition of Vertigrow Technology Ltd (and its subsidiaries Celadon Pharma Ltd and Harley Street (CPC) Limited) and the settlement of the Vertigrow Technology Ltd convertible loan notes through the issuing of 48,484,848 new ordinary shares. The Company also issued 5,151,516 new ordinary shares and raised gross proceeds of £8.5 million before fees.

These condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The companies in the Group at 30 June 2022 are:

Entity	Shareholding
Celadon Pharmaceuticals Plc (formerly Summerway Capital Plc)	
Summerway Subco Limited	100% subsidiary of Celadon Pharmaceuticals Plc
Vertigrow Technology Ltd	100% subsidiary of Celadon Pharmaceuticals Plc
Celadon Pharma Ltd	100% subsidiary of Vertigrow Technology Ltd
Celadon Pharmaceuticals (UK) Limited	100% subsidiary of Vertigrow Technology Ltd
Harley Street (CPC) Limited	57.5% subsidiary of Vertigrow Technology Ltd

2. Basis of preparation

These interim financial statements and accompanying notes have neither been audited nor reviewed by the auditor, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and do not include all the information and disclosures required in annual statutory financial statements. They should be read in conjunction with the Group's Annual Report and Accounts for the 16 months ended 31 December 2021 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 28 April 2022 and have been filed with Companies House. The report of the auditors in those accounts was unqualified and also did not contain a statement under section 498(2) or (3) of the Act.

The comparative interim information for the Vertigrow Technologies Ltd group of companies is available from the Summerway Capital Plc Admission Document (which is available on the Group's website).

The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial statements.

These interim financial statements were approved by the Board of Directors on 28 September 2022.

3. Accounting policies

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

Details of significant accounting policies are set out below.

Reverse Takeover 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 Vertigrow Technology Ltd. These interim financial statements are presented as proforma to present the substance of reverse takeover transaction.

Summerway Capital Plc was renamed Celadon Pharmaceuticals Plc.

The results for the six months ended, and as at 30 June 2022 are those of Vertigrow Technology Ltd group from 1 January 2022 to 30 June 2022 with the inclusion of the Summerway Capital Plc group at the acquisition date of 28 March 2022 through to 30 June 2022.

The comparative results for the six months ended, and as at 30 June 2021 and also for, and as at 31 December 2021, represent the consolidated position of the Vertigrow Technology Ltd group of companies prior to the reverse acquisition.

This transaction is deemed outside the scope of IFRS 3 (Revised 2008) and not considered a business combination because the directors have made a judgement that prior to the transaction, that Summerway Capital 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 8.10-12, in that the policy adopted is:

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

The accounting policy adopted by the Directors applies the principles of IFRS 3 in identifying the *accounting acquirer* (Vertigrow Technology Ltd) and the presentation of the consolidated financial statements of the *legal acquirer* (Summerway Capital Plc) as a continuation of the *accounting acquirer's* financial statements (Vertigrow Technology Ltd).

This policy reflects the commercial substance of this transaction as:

- the original shareholders of the Vertigrow Technology Ltd 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 Vertigrow became the executive management of Summerway Capital 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 Vertigrow Technology Ltd 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 Vertigrow Technology Ltd group immediately before the business combination; and
- the results of the period from 1 January 2022 to 28 March 2022 are those of the Vertigrow Technology Ltd group.

However, in the Group interim financial statements:

- the equity structure presented, reflects the equity structure of the legal parent (Summerway Capital 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 Vertigrow Technology Ltd 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.

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.

Going concern

These condensed consolidated unaudited interim 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 30 June 2022 the Group had £9.1 million of cash and net assets of £10.7 million.

Having prepared budgets and cash flow forecasts covering the going concern period which have been stress tested, 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.

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 clinical study with Harley Street (CPC) Limited.

Patients engaged on these trials 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.

The following process is followed in determining the timing of recognition of revenue:

a. Identification of a contract with a patient.
b. Identifying the performance obligations in relation to the contract.
c. Determining the transaction price and allocate to the performance obligations.
d. Recognising revenue as the performance obligations are satisfied.

In relation to the initial fees paid by patients on joining a trial, the performance obligations are to provide an initial suitability screening test and to determine if the patient is suitable. Revenue is recognised on provision of the screening test kit to the patient, with the related costs of test kits recognised in cost of sales.

In relation to subsequent monthly fees paid by patients on the trial, 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 receipt of payment.

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.

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 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 costs or fair value as appropriate.

Financial instruments

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, trade and other payables, and long term incentive arrangements.

Trade, group and other receivables

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

These financial assets of the Group 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.

Impairment of financial assets

An impairment loss 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.

Financial liabilities and equity

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.

Trade, group and other payables

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

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 Vertigrow Technology Ltd.

- **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 Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) at acquisition; the value of the shares issued to acquire all of the share capital of Vertigrow Technology Ltd; the value of share capital and share premium of Vertigrow Technology 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 the accumulated net gains and losses of Harley Street (CPC) Limited attributable to the minority shareholder.

Right of use leases

Right of use assets

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.

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.

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.

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 5 years
- Office equipment and IT - 3 to 5 years

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 annually at the financial year end. Where the carrying value of goodwill exceeds its recoverable amount an impairment is recognised and shall not be reversed in later periods.

Inventory

Inventories are measured at the lower of cost and net realisable value. There were no biological asset inventories at 30 June 2022 (30 June 2021: £nil).

Restatement of convertible loan notes at 30 June 2021

In February and March 2021 Vertigrow Technology Ltd secured £4.13 million of convertible loan note funding.

Under IFRS this is hybrid financial instrument requiring an estimate in the fair value of the Embedded Derivative to be made at the inception of the funding and revalued at each reporting date. Vertigrow Technology Ltd performed these estimates using an intrinsic value approach. The Group has revised its valuation methodology using a Black Scholes approach to estimate the fair value of the financial instrument. This restatement is in respect of amounts disclosed in the admission document.

Impact on 30 June 2021 interim financial statements:

	Restated 30 June 2021 Unaudited £	**As Stated 30 June 2021 Unaudited £**	**Impact 30 June 2021 Unaudited £**
Balance Sheet			
Convertible Loan note	(2,176,369)	(3,099,190)	922,821
Embedded derivative	(1,844,582)	(1,857,045)	12,463
Net impact on equity	(4,020,951)	(4,956,235)	935,284
Income Statement			
Loan note interest	(102,182)	(775,027)	672,845
Finance charge on embedded derivative	154,730	51,209	205,939
Net impact on losses for the period	52,548	(723,818)	878,784
Earnings per share	(4.4p)	(2.4p)	(2.0p)

The restatement had no impact on Non-controlling Interest or on cash flows or the cash flow statement of the Group.

4. Use of judgements and estimates

In preparing the interim 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, which have the most significant effect on the amounts recognised in the interim financial statements:

Reverse Acquisition Accounting

The Celadon Pharmaceuticals Plc Group of companies was formed by Vertigrow Technology Limited reverse-acquiring Summerway Capital Plc (a "reverse takeover") 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 significant estimates and assumptions as to the share price to value the consideration shares issued by Summerway Capital Plc to the owners of Vertigrow Technology Ltd. Further details are in note 5.

Subsidiary incentive scheme

The Group established a Subsidiary Incentive Scheme in 2018 (in Sumerway 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 are given in note 15.

Convertible loan notes

Vertigrow Technology Ltd raised £4.13 million through an issue of convertible loan notes in February and March 2021. The convertible loan notes contain an embedded derivative (the right to convert in to shares) that is fair valued at inception and at each reporting date. The fair value estimate requires assumptions on share price volatility, the expected value of the shares and conversion date. Further details are given in note 14.

Leases and right of use assets

In 2019, Vertigrow Technology Ltd signed a 25 year lease on a 100,000 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 are in note 17.

Acquisition of 57.5% of Harley Street (CPC) Limited

On 14 July 2021, Vertigrow Technology Ltd 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 is to be paid in shares in December 2022, subject to certain targets being achieved. The fair value accounting for the contingent consideration require 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 are in note 11.

5. Reverse Acquisition of Vertigrow Technology Ltd

On 28 March 2022, Summerway Capital Plc (subsequently renamed Caledon Pharmaceuticals Plc) acquired through a share for share exchange, the entire share capital of Vertigrow Technology Ltd and its subsidiary companies Celadon Pharma Ltd and Harley Street (CPC) Limited (together the "Vertigrow 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 Vertigrow Group becoming a wholly owned subsidiary group of the Company, the transaction constitutes a *reverse acquisition*, as the previous shareholders of Vertigrow Technology Ltd own a substantial majority of the Ordinary Shares of the Company and the executive management of Vertigrow Technology Ltd became the executive management of Summerway Capital Plc (renamed as Celadon Pharmaceuticals Plc).

In substance, the shareholders of Vertigrow Technology Ltd acquired a controlling interest in Summerway Capital Plc and the transaction has therefore been accounted for as a reverse acquisition. As the Summerway Capital Plc's activities prior to the acquisition were purely the maintenance of the AIM Listing, acquiring Vertigrow Technology Ltd 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" 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 and prepare consolidated financial statements. 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 Vertigrow Technology Ltd's shareholders and the share of the fair value of net assets gained by the Vertigrow Technology Ltd shareholders is 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.

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of Vertigrow Technology Ltd and its subsidiaries and include:

a. the assets and liabilities of Vertigrow Technology Ltd 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 Summerway Subco Limited) as at 28 March 2022 and its results from the date of the reverse acquisition (28 March 2022) to 30 June 2022.

On 28 March 2022, Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) issued 43,316,201 ordinary shares to acquire the entire share capital of Vertigrow Technology Ltd, and issued 5,168,647 ordinary shares to redeem the Vertigrow Technology Ltd convertible loan notes. At 28 March 2022, the average share price of Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) for the day was £1.5125p.

On consolidation and presentation of the Group's financial position, performance and cash flows, Vertigrow Technology Ltd, was treated as the accounting acquirer, and the legal parent company Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc), was treated as the accounting acquiree.

The fair value of the shares deemed to have been issued by Vertigrow Technology Ltd was calculated at £12,150,530 based on an assessment of the purchase consideration for a 100% holding of Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) on 28 March 2022.

The fair value of the net assets of Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc) at acquisition was as follows:

	£
Cash and equivalents	3,494,287
Other assets	2,284,612
Accounts payable and other liabilities	(27,895)
Net assets	5,751,004

The difference between the deemed cost £12,150,530 and the fair value of the net assets assumed per above of £5,751,004 resulted in £6,399,526 being expensed within "reverse acquisition expenses" in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to Vertigrow Technology Ltd shareholders of acquiring a quoted entity.

The professional fees in the period were £2,492,722, of which £1,028,069 was charged to the share premium account (6 months ended 30 June 2021: £nil), and £1,464,653 was expensed in the consolidated statement of comprehensive income (6 months ended 30 June 2021: £783,297; year ended 31 December 2021: £777,476.)

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

	Note	Reverse Acquisition Reserve £
Pre-acquisition total retained earnings of Summerway Capital Plc	1	(1,745,882)
Vertigrow Technology Ltd share capital at acquisition	2	1,661,798
Investment in Vertigrow Technology Ltd, net of convertible loan note charge	3	(65,515,754)
Reverse acquisition expense	4	6,399,526
		(59,200,312)

1. Recognition of pre-acquisition equity of Summerway Capital Plc (renamed as Celadon Pharmaceuticals Plc) as at 28 March 2022.

2. Vertigrow Technology Ltd had issued share capital of £1,661,798. As these financial statements present the capital structure of the legal parent entity, the equity of Vertigrow Technology Ltd is eliminated.

3. The value of the shares issued by the Company in exchange for the entire share capital of Vertigrow Technology Ltd.

4. The reverse acquisition expense represents the difference between the value of the equity issued by the Company, and the deemed consideration given by Vertigrow Technology Ltd to acquire the Company.

6. Revenue

The Group recorded revenue in the 6 months ended 30 June 2022 of £11,258 (6 months ended 30 June 2021: £nil; year ended 31 December 2021: £1,500) from patients on the Group's clinical study.

7. Loss per share

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.

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.

	6 months ended 30 June 2022 **Unaudited** **£**	**6 months ended 30 June 2021** **Unaudited and restated** **£**	**Year ended 31 December 2021** **Unaudited** **£**
Loss attributable to the owners of the Company	(13,247,155)	(1,949,526)	(4,590,707)
Weighted average number of ordinary shares in issue	52,847,890	44,622,611	44,324,386
Basic and diluted loss per share	(25.1p)	(4.4p)	(10.4p)

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.

8. Tangible fixed assets – property, plant and equipment

	Leasehold improvement £	Plant and machinery £	Office equipment £	Assets under construction £	Total £
Cost					
At 31 December 2021	465,284	719,168	65,818	-	1,250,270
Additions	-	59,426	13,909	1,079,254	1,152,589
At 30 June 2022	465,284	778,594	79,727	1,079,254	2,402,858
Depreciation					
At 31 December 2021	(37,411)	(177,082)	(15,074)	-	(229,567)
Charge for period	(23,265)	(74,598)	(11,801)	-	(109,664)
At 30 June 2022	(60,676)	(251,680)	(26,875)	-	(339,231)
Net book value					
At 31 December 2021	427,873	542,086	50,744	-	1,020,703
At 30 June 2022	404,608	526,914	52,852	1,079,254	2,063,628

	Leasehold improvement £	Plant and machinery £	Office equipment £	Assets under construction £	Total £
Cost					
At 31 December 2020	201,611	506,632	-	-	708,243
Additions	121,412	127,116	55,274	-	303,802
At 30 June 2021	323,023	633,748	55,274	-	1,012,045
Depreciation					
At 31 December 2020	(5,612)	(54,786)	-	-	(60,398)
Charge for period	(12,184)	(52,217)	(3,538)	-	(67,939)
At 30 June 2021	(17,796)	(107,003)	(3,538)	-	(128,337)
Net book value					
At 31 December 2020	195,999	451,846	-	-	647,845
At 30 June 2021	305,227	526,745	51,736	-	883,708

9. Right of use assets

	Right of use Lease £	Right of use Equipment £	Total £
Cost			
At 31 December 2021	2,511,262	-	2,511,262
Additions	-	30,225	30,225
Lease variation (1)	766,815	-	766,815
At 30 June 2022	3,278,077	30,225	3,308,302
Amortisation charge			
At 31 December 2021	(226,014)	-	(226,014)
Amortisation charge (before variation)	(8,371)	-	(8,371)
Lease variation – interest reset	234,384	-	234,384
Amortisation charge (after variation)	(60,259)	(839)	(61,098)
At 30 June 2022	(60,259)	(839)	(61,098)
Net book value			
At 31 December 2021	2,285,248	-	2,285,248
At 30 June 2022	3,217,818	29,386	3,247,204
Cost			
At 31 December 2020	2,511,261	-	2,511,261
At 30 June 2021	2,511,261	-	2,511,261
Amortisation charge			
At 31 December 2020	(125,563)	-	(125,563)
Amortisation charge	(50,225)	-	(50,225)
At 30 June 2021	(175,788)	-	(175,788)
Net book value			
At 31 December 2020	2,385,699	-	2,385,699
At 30 June 2021	2,335,473	-	2,335,473

1 - In February 2022, Vertigrow Technology Ltd 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 intangible asset and corresponding Lease Liability by £767k on the variation date.

10. Goodwill

	30 June 2022	30 June 2021	31 December 2021
	£	£	£
Opening balance	1,092,136	80,297	80,297
Additions in year	-	-	1,011,839
Ending balance	1,092,136	80,297	1,092,136

On 1 January 2020, Vertigrow Technology Ltd acquired 100% of the share capital for Celadon Pharma Ltd for £2, together with the assumed liabilities generated goodwill of £80,297.

On 14 July 2021 Vertigrow Technology Ltd acquired 57.5% of the share capital of Harley Street (CPC) Limited, together with assumed liabilities generated goodwill of £1,011,839. (Note 11).

11. Acquisitions – Harley Street (CPC) Limited

On 14 July 2021, Vertigrow 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 £2,000,000.

£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 LVL.

	£
Fair value of initial cash consideration paid	500,000
Fair value of contingent consideration	374,768
Total consideration	874,768
Fair value of net liabilities acquired	238,385
Non-controlling interest	(101,314)
Goodwill	**1,011,839**

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.

The Directors are in the process of assessing the fair value of net assets acquired for the 31 December 2022 reporting, and therefore the above figures are provisional.

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.

12. Investments

In 2021 Vertigrow Technology Ltd invested £200,000 in Kingdom Therapeutics Limited (a 17% holding) and acquired an additional holding for £18,000 in May 2022. At 30 June 2022 Vertigrow Technology Limited has a 19% shareholding in Kingdom Therapeutics Limited.

13. Loans and borrowings

The balance sheet values of our loans and borrowings were:

	Related Party Loan (1) £	Bounce Back Bank Loan (2) £	Supplier Loan (3) £
At 31 December 2020	**-**	**(50,000)**	**-**
Interest charge	-	-	-
Repayments	-	833	-
At 30 June 2021	**-**	**(49,167)**	**-**
Cash Received	(2,125,000)	-	(1,500,000)
Interest charge	(35,417)	-	(33,510)
Repayments	-	5,000	-
At 31 December 2021	**(2,160,417)**	**(44,167)**	**(1,533,510)**
Interest charge	(53,125)	-	(7,740)
Repayments		5,000	1,541,250
Eliminated on consolidation	2,213,542	-	-
At 30 June 2022	**-**	**(39,167)**	**-**
At 30 June 2022			
Due less than 1 year	-	(10,000)	-
Due more than 1 year	-	(29,167)	-

1. Vertigrow Technology Ltd had a £2,125,000 loan from Summerway Capital Plc (renamed Celadon Pharmaceuticals Plc). Interest accrues at 10% per annum. This has been eliminated on consolidation on 28 March 2022 in the reverse takeover.

2. Celadon Pharma Ltd has a 6 year £50,000 Bounce Back Loan with Barclays Bank Plc with interest fixed at 2.5% pa.

3. Harley Street (CPC) Limited had a £1,500,000 loan from a supplier with interest at 5% pa. The loan and interest were repaid in full on 4 February 2022.

The amounts charged to the statement of comprehensive income were:

	Six months ended 30 June 2022 Unaudited £	Six months ended 30 June 2022 Unaudited and restated £	Year ended 31 December 2021 Unaudited £
Related party loan interest (1)	53,125	-	35,417
Supplier loan interest	7,740	-	33,510
Bounce back loan interest	525	106	696
	61,390	106	69,623
Other external interest	1,598	702	702
Total Interest charge	62,988	808	70,325

1 - £53,125 of loan interest was incurred by Vertigrow Technology Ltd on its loan from Summerway Capital Plc in the period from 31 December 2021 up to 28 March 2022. After 28 March 2022 the loan balance and interest have been eliminated on consolidation.

14. Convertible loan notes – Vertigrow Technology Ltd

In 2021, Vertigrow Technology Ltd issued £4,130,000 convertible loan notes in February and March 2021, the notes carried interest at 8% pa.

The Company estimated the fair value of the equity component of the convertible loan notes as embedded derivates totaling £1,997,977 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	30 June 2021	31 December 2021
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:

	30 June 2022	**30 June 2021**	**31 December 2021**
	Unaudited	**Unaudited and restated**	**Unaudited**
	£	**£**	**£**
Amount classified as Host Liability	-	(2,176,369)	(2,265,627)
Amount classified as Embedded Derivative	-	(1,844,582)	(2,659,204)
Net	-	(4,020,951)	(4,924,831)

The amounts charged to the statement of comprehensive income were:

	30 June 2022	**30 June 2021**	**31 December 2021**
	Unaudited	**Unaudited and restated**	**Unaudited**
	£	**£**	**£**
Finance charge – host liability	(43,477)	(61,897)	(151,155)
Finance charge on redemption of loan notes	(3,405,200)	-	-
	(3,448,677)	(61,897)	(151,155)
Arrangement fees	-	(40,285)	(40,285)
	(3,448,677)	(102,182)	(191,440)
Finance gain on embedded derivative liability	555,929	154,730	(659,891)
Net	(2,892,748)	52,548	(851,331)

On 28 March 2022, the convertible loan notes balance of £4,412,379 (comprising: £2,103,274 of derivative liability and £2,309,104 of host liability and accrued interest) was redeemed through the issuance of 5,168,647 Summerway Capital Plc shares.

15. Subsidiary incentive scheme

On 17 September 2018, the Company established its Subsidiary Incentive Scheme 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 in order to cater for the acquisition of Vertigrow Technology Ltd 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. 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 (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 takeover transaction.

The Long Term Incentive Plan charge in the income statement for the six months ended 30 June 2022 was £768,766; and £nil for both the six months ended 30 June 2021 and for the year ended 31 December 2021.

16. Related Party Transactions

Dr. Steve Hajioff

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

Vertigrow Technology Ltd 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 30 June 2022, £8,000 of consulting fees were charged to the company (6 months ended 30 June 2021: £2,000; year ended 31 December 2021: £11,000). At 30 June 2022, £nil was unpaid (30 June 2021: £2,000; at 31 December 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, Vertigrow Technology Ltd subscribed for a 17% shareholding in Kingdom for £200,000. On 5 May 2022 Vertigrow Technology Ltd purchased an additional 2.5% shareholding in Kingdom from a selling shareholder for £18,000.

Related Party Loan (between Summerway Capital Plc and Vertigrow Technology Ltd)

In October 2021 Summerway Capital Plc provided Vertigrow Technology Ltd 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 Vertigrow Technology Ltd 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, Vertigrow Technology Ltd 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 Vertigrow Technology Ltd, 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 15.

On 14 January 2022, AFS Advisors LLP and Vertigrow Technology Ltd 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, Vertigrow Technology Ltd 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 per cent. of the pre-money value of the Enlarged Group. In the six months ended 30 June 2022, £350,000 of fees were charged to the Company (six months ended 30 June 2021: £nil ; year ended 31 December 2021: £nil). At 30 June 2022 £nil was unpaid (30 June 2021: £nil; at 31 December 2021: £nil).

Tessera Investment Management Limited ("Tessera")

Tony Morris (a former Director of Summerway Capital Plc), and Katie Long (the 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 six months ended 30 June 2022, £56,250 of fees were charged to the Company (six months ended 30 June 2021: £62,500; year ended 31 December 2021: £165,000). At 30 June 2022 £nil was unpaid (30 June 2021: £nil; at 31 December 2021: £nil).

On 3 March 2021, Vertigrow Technology Ltd entered into an agreement with Tessera pursuant to which Tessera has 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 Vertigrow Technology Ltd 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 entitlement was replaced by Katie Long's participation in the Subsidiary Incentive Scheme (note 15) at re-admission on comparable terms. In the six months ended 30 June 2022, £54,783 of advisory fees were charged to the Company (six months ended 30 June 2021: £60,000; year ended 31 December 2021: £150,000). At 30 June 2022 £nil was unpaid (30 June 2021: £nil; at 31 December 2021: £nil). This agreement was terminated on 28 March 2022.

Subsidiary Incentive Scheme

On the 11 April 2022, and pursuant to the amended Subsidiary Incentive Scheme detailed in note 15, 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 (Chief Financial Officer)	-	-	150,000	150,000
Issued to other employees / consultants	-	-	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 Summerway Capital 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 Summerway Capital Plc to Vertigrow Technology Ltd's shareholders, 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.

17. Lease payments and obligations

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 30 June 2022:

	Leasehold Property £	Plant & Equipment £	Total £
Less than 1 year	199,452	8,660	208,112
1 to 2 years	650,000	10,740	660,740
2 to 3 years	650,000	10,740	660,740
3 to 4 years	650,000	5,370	655,370
4 to 5 years	650,000	-	650,000
More than 5 years	11,229,715	-	11,229,715
Total	**14,029,167**	**35,510**	**14,064,677**

The fair value of the lease obligations are:

	30 June 2022 £	30 June 2021 £	31 December 2021 £
Leasehold Property			
Start of period	(3,257,412)	(2,873,817)	(2,873,817)
Variation (note 9)	(1,001,199)	-	-
Lease payment	-	-	-
Finance charge – lease discount unwind	(264,247)	(185,792)	(383,595)
End of period	(4,522,858)	(3,059,609)	(3,257,412)
Plant & Machinery			
Start of period	-	-	-
Inception of lease	(30,226)	-	-
Lease payments	3,290	-	-
Finance charge – lease discount unwind	(167)	-	-
End of period	(27,103)	-	-
Total	4,549,961	3,059,609	3,257,412
Due within 12 months	208,112	150,000	337,500
Due after 12 months	4,341,849	2,909,609	2,919,912

18. Commitments and Contingencies

Commitments

At 30 June 2022 the Group had committed capital expenditure amounts of £150,000 which are expected to be completed by 31 December 2022.

End of lease obligations

Under the Group's right of use property lease, at the end of the lease in (at the end of 2044), the landlord at their election, may give notice and require Vertigrow Technology Ltd to restore the leasehold property to its original condition. The landlord has any not given any restoration notice.

19. Subsequent events

On 28 July 2022, Celadon Pharmaceuticals Plc entered into an agreement with Tessera for the provision of general corporate and strategic advice to the Group for a fixed retainer of £5,000 per month, based on a commitment of 4 days per month. Tony Morris (a former Director of Summerway Capital Plc), and Katie Long (the Chief Financial Officer of Celadon Pharmaceuticals Plc) are the directors and shareholders of Tessera.