

**Celadon Pharmaceuticals plc**  
**(“Celadon” or the “Company” or the**  
**“Group”)**

**Unaudited Interim results for the six**  
**months ended 30 June 2023**

**London, 28 September 2023** – Celadon Pharmaceuticals Plc (AIM: CEL), a UK-based pharmaceutical company focused on the development, production and sale of breakthrough cannabis-based medicines, today announces its unaudited condensed interim results for the six months ended 30 June 2023.

**Strategic and operational highlights**

- Registration of the Group’s Midlands facility with UK MHRA for GMP manufacturing of its cannabis Active Pharmaceutical Ingredient (API)
- Home Office licence successfully updated to allow commercial sale of the Group’s high  $\Delta$ -9 tetrahydrocannabinol (THC) product
- Successfully completed 7 harvests from Phase 1 grow facility. Further progress made on development and fit out of Phase 2, and certain works undertaken on Phase 3 facility ahead of schedule
- Inaugural £3m product sale over three years to a leading UK Medical Cannabis company - first shipments anticipated in Q4 2023
- Second product sales contract on a three-year term with option to extend for a further two years - fully contracting Phase 1 grow facility with expected revenue generation of up to £1.2m
- Receipt of approval from the NHS Research Ethics Committee to roll out LVL Health’s non-cancer chronic pain trial for up to 5,000 patients (post-period)

**Financial highlights for the period**

- Revenue of £8.0k (30 June 2022: £11.0k)
- Operating loss of £3.2 million (30 June 2022: £2.0 million)
- Loss before tax of £4.4 million (30 June 2022: £13.5 million)
- Cash balance as at 30 June 2023 of £1.6m (30 June 2022: £9.1 million)
- Committed credit facility for £7.0m signed with a 2-year term, providing additional balance sheet flexibility

**James Short, CEO of Celadon, commented:**

*“The period has been one of strong operational and strategic progress against the ambitious targets we set out at the beginning of 2022 and ahead of the Company’s admission to AIM. While the UK market for cannabis-based medicinal products is early in its development, we are increasingly optimistic around the medium to long-term sector outlook and the prospects for Celadon within this market.*”

*“Having successfully obtained our Home Office licence to sell the Group’s EU-GMP pharmaceutical cannabis products, we have since signed our first two contracts with UK pharmaceutical companies and have received multiple expressions of interest that we are working hard to convert. The commercial pipeline demonstrates the high demand for high-quality UK produced product and our ability to attract premium pricing; it also gives us confidence to further roll out capacity to support this demand.*”

*“I am grateful for the continued support shown by our shareholders as we pursue our primary mission of improving the quality of life for patients most in need.”*

## **Analyst briefing: 10.00am BST today**

James Short (Chief Executive Officer), Jonathan Turner (Chief Financial Officer) and Arthur Wakeley (Managing Director), will host a virtual analyst presentation followed by a Q&A session at 10.00am BST today.

Analysts wishing to join should register their interest by contacting Powerscourt at [celadon@powerscourt-group.com](mailto:celadon@powerscourt-group.com), or by calling +44 (0) 20 7250 1446.

A copy of the presentation will be published on the Company's website at [www.celadonpharma.co.uk](http://www.celadonpharma.co.uk)

## **Investor Presentation: 3.30pm BST today**

Management will be hosting a live presentation and Q&A session today at 3.30pm BST 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:**

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## **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 is EU-GMP approved and comprises indoor hydroponic cultivation, proprietary GMP extraction and manufacturing and an analytical and R&D laboratory. Celadon's Home Office licence allows for the commercial supply of its GMP pharmaceutical cannabis product. The Group owns an approved clinical trial using cannabis-based medicinal products to treat chronic pain in the UK. Celadon also has a minority interest in early-stage biopharma Kingdom Therapeutics which is developing a licensed cannabinoid medicine to treat children with Autism Spectrum Disorder.

For further information please visit our website [www.celadonpharma.co.uk](http://www.celadonpharma.co.uk)

**This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.**

## Chief Executive Officer's Report

### Introduction & Overview

I am pleased to present Celadon's interim results for the six months ended 30 June 2023. The period has been one of strong operational and strategic progress against the ambitious targets we set out at the beginning of 2022 and ahead of the Company's admission to AIM.

At Celadon, our mission is to improve quality of life for patients most in need by developing breakthrough cannabis-based medicines. To unlock this opportunity, we are pursuing a strategy to open up the UK market by combining domestic production of pharmaceutical-grade medicinal cannabis with the clinical evidence generation that is required to support prescribing by doctors, and research into future medicines.

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

In the past few years, cannabis-based medicinal products ("CBMPs") have expanded rapidly in several international geographies, with a growing evidence base for their efficacy across a number of conditions, including chronic pain, epilepsy, and autism. Interest in CBMPs as medicines to treat pain has been driven by the opioid crisis in the US, and the recommendations of UK regulators in 2021 to reduce opioid prescription for chronic pain. In August 2023, the House of Commons Home Affairs Committee published a report urging the further clinical trials into CBMPs for chronic pain and supporting widening access to these medicines on the NHS. Australia provides a good case study for the market potential and how quickly a market can open up to CBMPs, with estimates of over 200,000 patients using medicinal cannabis at the start of 2022.

There is a substantial need for high-quality UK produced cannabis to reduce the need for overseas imports, which often place an unacceptable cost burden on the patient as well as delays in them receiving their medication. 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 the US. CBMPs are expanding rapidly internationally across a number of territories, including Germany and Australia;
- **Growing evidence of efficacy for a number of conditions:** there is a growing evidence base for the efficacy of CBMPs (e.g., chronic pain, epilepsy, autism), which we are experiencing through the early results from the first patients on the chronic pain study being administered through Harley Street (CPC) Ltd trading as LVL Health ("LVL"). The previous standard of care – opioids – has been estimated to work for only 5-10% of patients, with widespread evidence noting the harmful side effects of long-term opioid use; and
- **Challenges facing healthcare systems require innovative solutions:** the NHS faces mounting budgetary pressures, with back pain alone costing the UK an estimated £10 billion p.a. and accounting for a significant proportion of the 2.5 million people out of work due to ill health. New treatments for chronic conditions that are cost-effective and efficacious are increasingly important.

### 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 five years. The regulatory and capital barriers to entry remain high, and Celadon's successful Good Manufacturing Practice ("GMP") registration and Home Office licence update underpin our ability to supply our pharmaceutical-grade product to the market.

With a strategy based around patient needs and an initial focus on chronic pain, Celadon generates revenue from selling its pharmaceutical-grade product while positioning for substantial upside potential from developing approved medicines. Specifically, this includes:

- **Pharmaceutical product:** creating an integrated UK supply chain that is licenced to cultivate, manufacture and sell pharma-grade cannabis product to the market on a commercial basis; supported by data generated by LVL's chronic pain trial will support doctors' prescriptions and the case for reimbursement by the NHS
- **Breakthrough therapeutics:** developing advanced cannabinoid medicines with novel delivery technologies, led by Celadon's in-house R&D team and de-risked through industry partnerships

### **Operational Update for the Period and to date**

During the period and to date, Celadon has continued to make substantial progress against its key operational goals.

#### *MHRA and Home Office Licencing*

In January 2023, Celadon obtained confirmation from the MHRA that it had achieved GMP certification to manufacture its pharmaceutical-grade cannabis product. This followed a successful inspection in Q4 2022 and the submission of the results of independently verified testing of its cannabis product.

On the basis of the successful MHRA registration, the Home Office updated the Group's licence in March 2023 to allow the commercial supply of its cannabis product.

This is a significant achievement for the business, and the Directors believe that the Group is the first in the UK to be licensed to cultivate and sell high-THC EU-GMP grade cannabis product from its own facility following the changes to pharmaceutical cannabis licencing in 2018, and one of a small number of EU-GMP facilities of its kind globally.

#### *Expansion of Cultivation Facility Operations*

Following seven successful harvests of high THC medical cannabis in 2022 for validation purposes, Phase 1 underwent planned maintenance improvements in Q1 2023. Commercial cultivation has since commenced to fulfil the first sales contract signed in May 2023.

During the period, rigorous independent third-party testing on Celadon's cannabis flower was undertaken, the results of which have demonstrated its consistency, quality and cannabinoid profile. In addition to tight batch-to-batch consistency, the specification of Celadon's indoor hydroponic cultivation and smart environmental monitoring has driven high levels of yield. This has all attracted significant customer demand and expressions of interest, further validating our strategy to focus on UK production and the highest level of quality.

During the period, the Group made further progress in the development and fit out of Phase 2 of its cannabis cultivation space, having started the works during 2022. Certain works were also undertaken on Phase 3, ahead of the original schedule, on the recommendation of the regulatory auditors, in order to avoid disrupting live cultivation operations at a later date.

The Group also took the decision to ramp up operations in line with demand during 2023, with further fitting requirements (e.g., lighting, drying) to be put in place to support this. The design of the further fit out will be based on specifications aligned with customers signing commercial contracts. At full capacity, Phase 2 will have the potential to achieve an annualised yield of approximately three tonnes of high THC pharmaceutical cannabis in the form of dry flower, with a potential revenue opportunity of £30 million per year.

#### *Commercialisation*

Since announcing its GMP and Home Office licencing updates in early 2023, Celadon has signed two commercial supply contracts with leading pharmaceutical companies.

In May 2023, Celadon signed its inaugural commercial sales contract, under which the Group will supply a minimum of £3 million worth of product over the next three years, with the ability to extend the contract by a further two years. In September 2023, the Group signed a further contract with a UK customer, which we anticipate could generate up to £1.2 million in revenue, which will also run over a three year term. The Group anticipates that the first shipments for both contracts will be made in Q4 2023.

Celadon has also received multiple expressions of interest in the sale of its pharmaceutical grade product, and is currently in discussions to convert these into commercial contracts.

### *LVL's Chronic Pain Trial*

The LVL chronic pain trial received approval in August 2023 from the NHS's Ethics Committee to roll-out its clinical trial for chronic pain, which will allow the enrolment of up to 5,000 patients.

The Group previously held conditional approval for the trial from the MHRA, on the basis that a Feasibility Study requested by the NHS's Ethics Committee be conducted before it commenced. The Feasibility Study was designed to demonstrate the ability to engage and retain patients and results were submitted to the regulators in December 2022, with final approval being received in August 2023. While conducting the Feasibility Study we have gained some valuable insights and generated promising early results.

Feedback from patients who received treatment has been positive, with improvements in quality of life (including pain and sleep levels), and significant reduction in other medications (some respondents noted reductions in their opioid usage by 60%), being reported. York University is conducting independent analysis on the study's data in order to assess the potential case for reimbursement by the UK's National Health Service.

The Group remains confident that a positive outcome from the full clinical trial will facilitate expansion of the UK market by providing the data to support doctors' prescriptions in private pain clinics and supporting the case for reimbursement by insurance companies and the NHS. The approved trial carries a number of advantages, most notably the ability of General Practitioners ("GP") to prescribe under the trial protocol – something that is not currently permitted in the UK – and the clarity of its fully approved status, which is expected to substantially increase the recruitment of patients and sponsoring organisations. The Group is currently working with its partners to finalise the plan for the optimal and timely roll-out of the trial.

### *Breakthrough therapeutics*

While the Group's immediate focus is on revenue generation from its licensed pharmaceutical production, there is a substantial value creation opportunity from developing novel medicines to pursue licensed approvals for which there already exists a regulatory pathway.

Leveraging the data from LVL's initial chronic pain Feasibility Study, as well as using widespread clinical and real world efficacy data, Celadon's in-house R&D team are exploring opportunities to develop a range of medicinal products using its proprietary cannabinoid API.

We aim to create IP around differentiated delivery (e.g., tablets, pills) and are targeting therapeutic indications where the existing data supports intervention with cannabinoid medicines. This is currently being done at very low cost to the business, by leveraging the expertise of our highly experienced in-house R&D team. Given the capital requirements of clinical trials, ultimately the Group's aim is to identify partners to scale IP that we have created in-house; thus giving the business substantial future upside potential.

This approach combines multiple "shots on goal" across different conditions (e.g., pain, autism), and is accelerated through partnerships such as the Group's 19% stake in Kingdom Therapeutics, an early-stage biopharmaceutical company focused on the development of cannabinoid medicines for Autism Spectrum Disorder who have had some very positive early-stage research results. These results will be presented at a significant autism conference in the US in October. Our goal for these partnerships is to give Celadon an equity stake in a potentially successful biopharma, and the supply contract for our cannabinoid API which could generate substantial revenue if the medicine becomes a mass market product.

### *Building the team*

During the period, the Group made significant progress in continuing to augment its high-quality management team and strengthening its operations across all parts of the business.

In January 2023, Jonathan Turner joined as Chief Financial Officer from the FTSE-250 listed Oxford Instruments, with additional senior hires for Head of Quality (to oversee our interactions with the MHRA), GMP Operations (to oversee our production programme) and Business Development (to convert our pipeline of demand into contracts). These are significant hires for a business at Celadon's stage of growth. Additional hires have been made in our Operations team to support scaled cultivation and deliver on the recent contracts that have been signed.

### *ESG*

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

At the heart of Celadon's approach to ESG is that societal benefit will flow from addressing the UK's 'silent epidemic' of chronic pain (and opioid misuse), with eight million people experiencing moderate or severely disabling chronic pain and largely not benefiting from current treatments.

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

Where possible the Group is also taking measures now to reduce the impact that it has on the environment. As of January 2023, the Group's Midlands facility switched exclusively to renewable energy supply. The Group is also in advanced discussions about installing solar panels to further reduce its environmental impact.

### **Outlook**

While the UK market for CBMPs is early in its development, we are increasingly optimistic around the medium to long-term sector outlook and the prospects for Celadon within this market. Having made significant progress in the first half of the year on both the approvals front and commercially through the award of our first two sale contracts, our focus for the remainder of the year and beyond is on converting further expressions of interest into contracted sales, which will serve to underpin the further development of our Phase 2 grow facility. Allied to this, we will continue to explore practical ways in which we can encourage broad participation in what is understood to be the UK's only MHRA approved trial of its kind for cannabis medicines so that patients are able to access high quality cannabis-based medicines to meet their needs.

**James Short**  
**CEO**

## Financial overview

**Revenues** - in the six months ended 30 June 2023, the Group recorded revenues from the feasibility stages of its LVL chronic pain clinical trial of £8k (six months ended 30 June 2022: £11k, year ended 31 December 2022: £24k). The Group submitted the results of its feasibility study to the Research Ethics Committee ("REC") in December 2022. REC formally approved the full clinical trial in August 2023.

**Cost of sales** - includes all costs for the LVL chronic pain feasibility study's patients, including initial suitability tests, medical consultation and onboarding of all patients.

**Gross profit** - for the six months ended 30 June 2023 the Group reported a gross loss of £26k (six months ended 30 June 2022: loss of £12k, year ended 31 December 2022: £66k). The gross losses were due to the mix of paying and non-paying patients for the feasibility study, and the lower patient numbers meaning that operational efficiencies were unavailable.

**Operating costs** - include all people costs, property costs (including utilities, repairs and maintenance), marketing, and legal and professional costs. These totalled £2.9 million in the six months ended 30 June 2023, and were consistent with the operating costs for the six months to 31 December 2022 of £3.1 million (year ended 31 December 2022: £4.8 million). The comparator figure of £1.8 million for the six months to 30 June 2022 comprises all the Vertigrow operating costs, with Summerway's corporate costs included from 28 March 2022 onwards.

**Operating loss** - is gross margin less operating costs, depreciation and amortisation. The operating loss for the six months ended 30 June 2023 was £3.2 million (six months ended 30 June 2022: £2.0 million, year ended 31 December 2022: £5.4 million).

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

### Reverse acquisition and transaction related costs in the six months ended 30 June 2023, six months ended 30 June 2022 and year ended 31 December 2022:

- **Transaction related costs** – a £0.6 million charge arose in the period to 30 June 2023 in respect of due diligence costs for a potential transaction, and on certain internal reorganisations. The comparator figure of £1.5 million for the six months to 30 June 2022 (year ended 31 December 2022: £1.5 million) related to the costs of advisors in respect of the Group's IPO, including £245k of warrants issued to Canaccord Genuity for their work on the readmission of the Group to AIM; -
- **Reverse acquisition share based payment and IPO costs** – in the six months ended 30 June 2022 a £6.4 million share based payment charge reflecting the net cost of Vertigrow acquiring Summerway and the AIM listing (year ended 31 December 2022: £6.4 million). This is a non-cash cost.
- **Finance charges on convertible loan notes** - in February and March 2021 Vertigrow raised £4.13 million in pre IPO finance via convertible loan notes (the "CLNs"). These CLNs are categorised at inception between an Embedded Derivative and a Host Liability, recognising the optionality in the CLN for the investor to convert their loan note in Vertigrow shares immediately prior to the acquisition by Summerway. In the six months ended 30 June 2022, the Group recorded a finance charge of £3.4 million (year ended 31 December 2022: £3.4 million) on the convertible loan notes, and a finance credit of £556k (year ended 31 December 2022: £556k) on the derivative liability. These are non-cash items as the loan notes converted into equity on 28 March 2022.

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

In the six months to 30 June 2022, the Group released the contingent consideration originally booked on the acquisition of its original 57.5% investment in Harley Street (CPC) Limited to its income statement as it became apparent that this element of the original consideration would not be payable. In the six months to 31 December 2022, the Group impaired the goodwill on its investment in Harley Street (CPC) Limited by £639k, giving a net charge in the year to 31 December 2022 of £264k. All of these costs are non-recurring.

**Long term incentive plans** – the Group has two share based long term incentive plans for certain directors, advisors and employees; the Subsidiary Incentive Scheme and a separate Long Term Incentive Plan (see note 12).

In the six months to 30 June 2023, the total charge in respect of the long term incentive plans was £420k (six months ended 30 June 2022: £768k, year ended 31 December 2022 £1.1 million).

The first awards under the Long Term Incentive Plan were made in January and February 2023. The fair value charge associated with the January and February 2023 LTIP awards was £248k (six months ended 30 June 2022: £nil, year ended 31 December 2022: £ nil). The Group also recognised a £76k charge for the Subsidiary Incentive Scheme (six months ended 30 June 2022: £768k, year ended 31 December 2022: £910k). A further £96k charge related to warrants awarded to an advisor in respect of services to be provided between April 2022 and March 2024 (six months ended 30 June 2022: £226k, year ended 31 December 2022: £471k).

**Finance charges on leased assets** - Celadon has a Right of Use lease on its production facility with over 21 years remaining. There is also a 3 year Right of Use lease on one item of production equipment, with 2 years left to run. The finance charge on these leased assets of £297k is a fair valuation charge to unwind the respective balance sheet lease liabilities (six months ended 30 June 2022: £264k, year ended 31 December 2022: £531k).

**Loan interest charges** – In the period to 30 June 2023, Celadon’s only drawn external funding line was a UK Government backed COVID related Bounce Back loan. The external loan interest charged on the Bounce Back loan in the period was £0.4k (six months ended 30 June 2022: £0.5k, year ended 31 December 2022: £1k).

In the prior period to 30 June 2022, the Vertigrow Technology Limited group had two additional funding lines:

- (a) a Supplier Loan; and,
- (b) a pre IPO loan from Summerway Capital Plc.

There was no external interest charged on the Supplier Loan or pre-IPO loan in the period to 30 June 2023 (six months ended 30 June 2022: £63k, year ended 31 December 2022: £60k).

**Non Current Assets** – were maintained at £6.9 million in the six months ended 30 June 2023 (2022: £6.6 million), as the Group continued the design elements for the continuation of its facility fit out.

**Current Assets** – decreased by £3.7 million in the six months to 30 June 2023 to £2.6 million (2022: £9.8 million). The decrease since June 2022 reflects the utilisation of the cash proceeds from the IPO being utilised to fund the facility expansion and operating expenses for the business.

**Current Liabilities** – increased by £198k in the six months ended 30 June 2023 to £1.4 million but were consistent with the position at June 2023 (30 June 2022: £1.4 million, 31 December 2022: £1.2 million). The increase since December 2022 is due to an increase in accounts payable as the business prepared itself for its first commercial sales.

**Non-current liabilities** – remained consistent at £5.0 million in the six months ended 30 June 2023 (30 June 2022: £4.4 million, 31 December 2022: £5.0 million). The increase compared with June 2022 is as a result of an increase in the lease liability and the recognition of a provision in respect of the property decommissioning costs of £0.4 million.

**Net assets** - at 30 June 2023 were £3.0 million (30 June 2022: £10.7 million, 31 December 2022: £7.0 million).

**Shareholders’ Equity** - Share Capital including Share Premium and the Merger Relief Reserve total £88.3 million at 30 June 2023, 30 June 2022 and 31 December 2022 following the IPO and acquisition of Vertigrow by Summerway Capital Plc; the Reverse Acquisition Reserve of £59.2 million (which is the consolidation reserve created on the reverse acquisition of combining Summerway Capital Plc and Vertigrow); the Retained losses (increased to £27.9 million). The Non-controlling Interest of £638k at 31 December 2022 comprised an element of £23k relating to the Subsidiary Incentive Scheme and (£661k) relating to Harley Street (CPC) Limited. The element relating to Harley Street (CPC) Limited was recaptured in Retained losses when the Group purchased the shares it did not previously own.



**Cash outflows from operating activities** - for the six months ended 30 June 2023 were £3.0 million (2022: £3.0 million, year ended 31 December 2022: £6.1 million). The main spend items include people, advisers and utility costs.

**Investing activities** - in the period ended 30 June 2023 capex items totalled £208k (2022: £1.2 million, year ended 31 December 2022: £2.1 million). In the period to 30 June 2022, the Group increased its investment in Kingdom Therapeutics Limited by £18k (to £218k) and the Group also received £3.5 million of cash inflow on the acquisition of Summerway Capital Plc.

**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.

**Cash balance** - at 30 June 2023 the Group had £1.6 million in cash (30 June 2022: £9.1 million, 31 December 2022: £5.1 million).

**New funding line** – on 29 May 2023, the Group obtained £7.0 million of new funding via a 2-year fixed rate Revolving Credit Facility Agreement. Interest will accrue at a rate of 10% on balances drawn under the Facility Agreement. The Revolving Credit Facility Agreement will be repayable in the event that the Group obtains sufficient alternative funding to allow the Revolving Credit Facility Agreement to be repaid in full. At 30 June 2023 the Revolving Credit Facility remained undrawn.

**Jonathan Turner**  
**CFO**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six-month period ended 30 June 2023**

		<b>Six months ended 30 June 2023</b>	<b>Six months ended 30 June 2022</b>	<b>Year ended 31 December 2022</b>
	Notes	<b>Unaudited £'000</b>	<b>Unaudited £'000</b>	<b>£'000</b>
Revenue	6	8	11	24
Cost of sales		(34)	(23)	(90)
<b>Gross Profit</b>		<b>(26)</b>	<b>(12)</b>	<b>(66)</b>
Operating costs		(2,902)	(1,799)	(4,849)
Depreciation and amortisation		(260)	(171)	(466)
<b>Operating loss</b>		<b>(3,188)</b>	<b>(1,982)</b>	<b>(5,381)</b>
Share-based payment costs for reverse acquisition		-	(6,400)	(6,400)
Transaction related costs		(556)	(1,465)	(1,465)
Finance costs	7	(271)	231	(23)
Non-cash movements relating to Harley Street (CPC) Limited		-	375	(264)
Finance charge on convertible loan note				
- Interest and charges		-	(43)	(43)
- Redemption		-	(3,406)	(3,406)
Long term incentive plans	12	(420)	(768)	(1,136)
		<b>(1,247)</b>	<b>(11,476)</b>	<b>(12,737)</b>
<b>Loss before taxation</b>		<b>(4,435)</b>	<b>(13,458)</b>	<b>(18,118)</b>
Taxation		12	-	707
<b>Loss for the period, being total comprehensive loss for the period</b>		<b>(4,423)</b>	<b>(13,458)</b>	<b>(17,411)</b>
<b>Loss attributable to:</b>				
Controlling Interest		(4,301)	(13,247)	(17,006)
Non-controlling interest		(122)	(211)	(405)
		<b>(4,423)</b>	<b>(13,458)</b>	<b>(17,411)</b>
<b>Basic and diluted loss per share</b>	<b>8</b>	<b>(7.2)p</b>	<b>(25.1)p</b>	<b>(29.5)p</b>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2023**

		<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 December 2022</b>
		<b>Unaudited</b>	<b>Unaudited</b>	
	Notes	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>				
Intangible assets		378	1,092	428
Property, plant and equipment		3,001	2,064	2,921
Right of use assets		3,272	3,247	3,354
Investments	10	218	218	218
<b>Total non-current assets</b>		<b>6,869</b>	<b>6,621</b>	<b>6,921</b>
<b>Current assets</b>				
Inventories		24	21	20
Trade and other receivables		956	720	1,249
Cash and cash equivalents		1,611	9,075	5,061
<b>Total current assets</b>		<b>2,591</b>	<b>9,816</b>	<b>6,330</b>
<b>Current liabilities</b>				
Trade and other payables		(1,304)	(1,188)	(1,106)
Bounce Back Loan	11	(10)	(10)	(10)
Lease liabilities	11	(56)	(208)	(56)
Deferred tax liability		(25)	-	(25)
<b>Total current liabilities</b>		<b>(1,395)</b>	<b>(1,406)</b>	<b>(1,197)</b>
<b>Non-current liabilities</b>				
Bounce Back Loan	11	(19)	(29)	(24)
Lease liabilities	11	(4,565)	(4,342)	(4,542)
Provisions		(397)	-	(389)
Deferred tax liability		(50)	-	(62)
<b>Total non-current liabilities</b>		<b>(5,031)</b>	<b>(4,371)</b>	<b>(5,017)</b>
<b>Net assets</b>		<b>3,034</b>	<b>10,660</b>	<b>7,037</b>
<b>Shareholders' funds</b>				
Share capital		617	617	617
Share premium		22,553	22,553	22,553
Merger Reserve		65,082	65,082	65,082
Reverse Acquisition Reserve		(59,200)	(59,200)	(59,200)
Warrant Reserve		566	245	471
Capital Redemption Reserve		49	49	49
Share Based Payment Reserve		1,235	792	910
Retained earnings		(27,891)	(19,010)	(22,807)
Non-controlling interest		23	(468)	(638)
<b>Total Equity</b>		<b>3,034</b>	<b>10,660</b>	<b>7,037</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2023**

	Share Capital	Share Premium	Merger Relief Reserve	Reverse Acquisition Reserve	Warrant Reserve	Capital Redemption Reserve	Share Based Payment Reserve	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total Equity
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000
<b>Balance at 31 December 2021</b>	<b>80</b>	<b>7,367</b>	<b>-</b>	<b>(5,835)</b>	<b>-</b>	<b>49</b>	<b>-</b>	<b>(5,801)</b>	<b>(4,140)</b>	<b>(256)</b>	<b>(4,396)</b>
Measurement period adjustment								38	38		38
Recognition of PLC Net Assets at acquisition date				5,751					5,751		5,751
Issue of shares for acquisition of subsidiary	433		65,082	(65,515)					-		-
Share-based payment charge				6,399			792		7,191		7,191
Settlement of convertible loan notes of Vertigrow Technology Ltd	52	7,765							7,817		7,817
Issue of shares for cash	52	8,448							8,500		8,500
Cost of share issue		(1,009)							(1,009)		(1,009)
Warrants issued		(18)			245				227		227
									-		-
Loss for the period	-	-	-	-	-	-	-	(13,247)	(13,247)	(212)	(13,459)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(13,247)	(13,247)	(212)	(13,459)
<b>Balance at 30 June 2022</b>	<b>617</b>	<b>22,553</b>	<b>65,082</b>	<b>(59,200)</b>	<b>245</b>	<b>49</b>	<b>792</b>	<b>(19,010)</b>	<b>11,128</b>	<b>(468)</b>	<b>10,660</b>
Subsidiary Incentive Share issue										23	23
Share-based payment charge					226		118		344		344
Loss for the period	-	-	-	-	-	-	-	(3,797)	(3,797)	(193)	(3,990)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(3,797)	(3,797)	(193)	(3,990)
<b>Balance at 31 December 2022</b>	<b>617</b>	<b>22,553</b>	<b>65,082</b>	<b>(59,200)</b>	<b>471</b>	<b>49</b>	<b>910</b>	<b>(22,807)</b>	<b>7,675</b>	<b>(638)</b>	<b>7,037</b>

	Share Capital	Share Premium	Merger Relief Reserve	Reverse Acquisition Reserve	Warrant Reserve	Capital Redemption Reserve	Share Based Payment Reserve	Retained Earnings	Equity attributable to owners of the parent	Non-controlling interest	Total Equity
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 December 2022</b>	<b>617</b>	<b>22,553</b>	<b>65,082</b>	<b>(59,200)</b>	<b>471</b>	<b>49</b>	<b>910</b>	<b>(22,807)</b>	<b>7,675</b>	<b>(638)</b>	<b>7,037</b>
Share-based payment charge					95		325		420		420
Acquisition of 42.5% of Harley Street (CPC) Limited								(783)	(783)	783	-
Loss for the period	-	-	-	-	-	-	-	(4,301)	(4,301)	(122)	(4,423)
Total movement for the period	617	22,553	65,082	(59,200)	566	49	1,235	(27,891)	3,011	23	3,034
<b>Balance at 30 June 2023</b>	<b>617</b>	<b>22,553</b>	<b>65,082</b>	<b>(59,200)</b>	<b>566</b>	<b>49</b>	<b>1,235</b>	<b>(27,891)</b>	<b>3,011</b>	<b>23</b>	<b>3,034</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**As at 30 June 2023**

	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 December 2022</b>
	<b>Unaudited £000</b>	<b>Unaudited £000</b>	<b>£000</b>
<b>Operating activities</b>			
Loss for the Period	(4,423)	(13,458)	(17,411)
Adjustments for:			
Depreciation and amortisation	260	171	466
Finance charges on leased assets	288	264	532
Finance charge on convertible loan notes	-	3,449	3,449
Fair value (loss) on derivative liability	-	(556)	(556)
Finance charge on loans	2	53	53
Long term incentive plan	420	768	910
Warrant costs	-	226	471
Reverse acquisition share-based payment expense	-	6,400	6,400
Non-cash movements in respect of Harley Street (CPC) Ltd	-	(375)	264
Other finance cost (net)	(18)	8	(5)
Release of deferred tax liability on intangible assets	(12)	-	(25)
Operating cash-flow before working capital movements	<b>(3,483)</b>	<b>(3,050)</b>	<b>(5,452)</b>
Decrease/(increase) in trade and other receivables	293	(385)	(985)
Increase in trade and other payables	199	438	355
(Increase) in inventories	(3)	(19)	(18)
<b>Cash (outflow) from operating activities</b>	<b>(2,994)</b>	<b>(3,016)</b>	<b>(6,100)</b>
<b>Investing activities</b>			
Cash received on reverse acquisition	-	3,494	3,494
Purchase of property, plant and equipment	(208)	(1,153)	(2,086)
Purchase of investments	-	(18)	(18)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(208)</b>	<b>2,323</b>	<b>1,390</b>

**Financing activities**

Interest received	18	1	17
Repayment of Lease Liabilities	(258)	-	(8)
Supplier loan - interest payment	(2)	(41)	(41)
Supplier loan - (repayment)	-	(1,500)	(1,500)
Bounce back Loan repayment	(6)	(5)	(11)
Proceeds from issuing share capital, net of issue costs	-	7,491	7,491
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(248)</b>	<b>5,946</b>	<b>5,948</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,450)</b>	<b>5,253</b>	<b>1,238</b>
Cash and cash equivalents at beginning of period	5,061	3,822	3,823
<b>Cash and cash equivalents at end of period</b>	<b>1,611</b>	<b>9,075</b>	<b>5,061</b>

## NOTES TO THE INTERIM RESULTS

For the six-months ended 30 June 2023

### 1. About Celadon Pharmaceuticals Plc

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

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

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

### 2. Basis of preparation

These interim Condensed Consolidated 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 year ended 31 December 2022 which are available on the Group’s website. Those statutory accounts were approved by the Board of Directors on 2 June 2023 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 interim financial information has been prepared under the historical cost convention except for certain items that are shown at fair value as disclosed in the 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 Thousand (£000s).

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in the audited consolidated financial statements for the year ended 31 December 2022 and those which will form the basis of the 2023 Annual Report.

These interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 27 September 2023.

#### a. Basis of consolidation

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

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

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



## **b. Going concern**

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

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

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

At 30 June 2023 the Group had £1.6 million of cash and net assets of £3.0 million. In addition on 29 May 2023, the Group entered into a 2 year £7.0 million Revolving Credit Facility to provide additional liquidity for operating and capital expenditure.

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

## **3. Accounting policies**

Details of significant accounting policies are set out below.

### **a. Reverse Acquisition of Summerway Capital Plc and creation of the Celadon Pharmaceuticals Plc group of companies**

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

Summerway Capital Plc was renamed Celadon Pharmaceuticals Plc.

The results for the six months ended, and as at 30 June 2023 are those of the Celadon Pharmaceuticals Plc group. The comparative results for the six months ended 30 June 2022 represent the consolidated position of the Celadon Property Co Limited group of companies prior to the reverse acquisition with the inclusion of the Celadon Pharmaceuticals Plc group from the acquisition date of 28 March 2022 through to 30 June 2022. The position as at 30 June 2022 represents the consolidated position of the Celadon Pharmaceuticals Plc group.

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

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

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

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

This policy reflects the commercial substance of this transaction as:

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

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

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

However, in the Group financial statements:

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

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

#### **b. Acquisition of Harley Street (CPC) Limited**

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

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

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

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

On 31 May 2023, Celadon Property Co Limited acquired the remaining 42.5% shareholding for £1. An adjustment of £661k was made to the retained reserves to release the non-controlling interest share of the accumulated losses.

#### **c. New and amended accounting standards**

##### *New and amended standards and interpretations applied*

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

- IFRS 17: Insurance Contracts (effective 1 January 2023)
- Amendments to IAS 17: Insurance Contracts (effective 1 January 2023)

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

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

#### **4. Use of critical judgements and key accounting estimates**

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

##### **Critical Judgements**

###### **a. Tax Losses**

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

##### **Key Accounting Estimates**

###### **b. Research & Development Tax Credits**

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

#### **5. Reverse Acquisition of Vertigrow Technology Group**

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

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

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

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

Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 Consolidated Financial Statements ("IFRS 10") and prepare consolidated financial statements with Celadon Pharmaceuticals Plc consolidated as a subsidiary. The Directors have prepared this interim financial

information using the reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the shareholders of Celadon Property Co Limited and the share of the fair value of net assets gained by the shareholders of Celadon Property Co Limited is charged to the statement of comprehensive income as a share-based payment on reverse acquisition. In substance, this represents the cost of acquiring an AIM listing.

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

- a. the assets and liabilities of Celadon Property Co Limited and its subsidiaries at their pre-acquisition carrying value amounts and the results for the periods presented; and
- b. the assets and liabilities of the Company (and its wholly owned subsidiary Celadon Subco Limited (previously Summerway Subco Limited)) as at 28 March 2022 and its results from the date of the reverse acquisition (28 March 2022) to 31 December 2022.

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

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

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

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

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

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

The professional fees in the six months ended 30 June 2022 relating to the reverse acquisition of Vertigrow Technology Limited in the period were £2,493k (year ended 31 December 2022: £2,493k), of which £1,027k (year ended 31 December 2022: £1,027k) was charged to the share premium account, and £1,465k (year ended 31 December 2022: £1,465k) was expensed in the consolidated statement of comprehensive income.

The Transaction Related Costs in the six months ended 30 June 2023 of £556k relate to the costs incurred in the acquisition of the shares of Harley Street (CPC) Limited that were not already owned, and the post period disposal of that entity, and further costs in related to an aborted transaction.

## 6. Revenue

The Group recorded revenue in the 6 months ended 30 June 2023 of £8k (6 months ended 30 June 2022: £11k; year ended 31 December 2022: £24k) from patients on the Group's clinical study in Harley Street (CPC) Limited.

## 7. Net finance costs

	30 June 2023	30 June 2022	31 December 2022
	Unaudited £000	Unaudited £000	£000
Finance gain on derivative liability associated with convertible loan notes	-	556	556
Finance (charge) on leased assets	(297)	(264)	(531)
Finance (charge) on related party loan	-	(53)	(53)
Finance (charge) on external loans	-	(10)	(7)
Finance income on bank deposits	26	3	12
	(271)	232	(23)

## 8. Loss per share

Basic loss per ordinary share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
	Unaudited £000	Unaudited £000	£000
Loss attributable to the owners of the Company	(4,423)	(13,285)	(16,906)
Weighted average number of ordinary shares in issue	61,669,773	52,847,890	57,295,086
Basic and diluted loss per share	(7.2p)	(25.1p)	(29.5p)

## 9. 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.

	£000
Fair value of initial cash consideration paid	500
Fair value of contingent consideration	375
Total consideration	875
Fair value of net liabilities acquired	238
Non-controlling interest	(101)
<b>Estimated Goodwill at 30 June 2022</b>	<b>1,012</b>

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 completed the assessment of the fair value of net assets acquired in the 31 December 2022 reporting, and therefore the above figures were amended as follows:

	£000
Goodwill	719
Intangible Assets	498
Deferred tax liability in respect of intangible asset	(125)
	<b>1,092</b>

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.

On 31 May 2023, Celadon Property Co Limited acquired the remaining 42.5% shareholding for £1. An adjustment of £661k was made to the retained reserves to release the non-controlling interest share of the accumulated losses.

## 10. 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 2023 Vertigrow Technology Limited has a 19% shareholding in Kingdom Therapeutics Limited.

## 11. Loans and borrowings

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	
	£000	£000	£000
<b>Current liabilities</b>			
Bounce back bank loan	(10)	(10)	(10)
Lease liabilities	(56)	(208)	(56)
	(66)	(218)	(66)
<b>Non-current liabilities</b>			
Bounce back bank loan	(19)	(29)	(24)
Lease liabilities	(4,565)	(4,342)	(4,542)
	(4,584)	(4,371)	(4,566)

- 1- Celadon Pharma Limited has a 6 year £50,000 Bounce Back Loan with Barclays Bank plc with interest fixed at 2.5% pa.

## 12. Long Term Incentive Plans

The Group operates two different long term incentive plans, the Subsidiary B-Share LTIP Incentive Scheme and the Long Term Incentive Plan. Both plans were adopted at the time of the Company's readmission to AIM in March 2022, though until January 2023 awards had only been made under the Subsidiary B-Share LTIP Incentive Scheme. No further awards have been made in 2023, but the first awards under the Company's LTIP Scheme were made in January and February 2023.

### Subsidiary B-Shares LTIP Incentive Scheme

On 28 March 2022, the Company amended its Subsidiary Incentive Scheme in order to incentivise and retain certain key employees and directors of, and advisers to, the Company.

Under the terms of the Subsidiary Incentive Scheme, the principles will remain in line with the Company's existing scheme such that 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"), and realised by participants through the exercising of a put option in respect of their Subsidiary B Shares and satisfied either in cash or by the issue of new Ordinary Shares at the election of the Company.

On 28 March 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.

Overall, therefore, the maximum dilution from the Subsidiary Incentive Plan could be 16.5 per cent. of the Shareholder Value generated above the specified threshold amounts (and this is contingent on achieving the specified annual growth rates) across each individual class of Subsidiary B Share. A summary of the changes made to the Subsidiary Incentive Scheme are set out in the following table.

Item	Previous Subsidiary Incentive Scheme	Amended Subsidiary Incentive Scheme
<b>Date in place</b>	15 January 2021 to 28 March 2022	From 28 March 2022
<b>Percentage of Shareholder Value available to Scheme Participants (pre acquisition of, or investment in operating company)</b>	Up to 20 per cent	16.5 per cent.
<b>Target compound annual growth rate hurdle</b>	7.5 per cent	B1 Shares - 7.5 per cent B2 / B3 Shares – 17.5 per cent

<b>Commencement date</b>	15 January 2021	B1 Shares – 15 January 2021 B2 / B3 Shares – 28 March 2022
<b>Initial Value</b>	£7.6 million	B1 – £96.3 million B2 – £81.8 million B3 – £101.8 million
<b>Vesting period</b>	3 to 5 years from January 2021	B1 – 3 to 5 years from 15 January 2021 B2 / B3 – 3 to 5 years from 28 March 2022
<b>Scheme Participants, respective B Share holdings and current aggregate Shareholder Value participation</b>	Alexander Anton – 75,000 Benjamin Shaw – 75,000 Mark Farmiloe – 75,000 Tony Morris – 175,000 Vin Murria – 1,000,000 Paul Gibson – 50,000 <b>Aggregated – 1,450,000</b>	Alexander Anton – 241,666 Benjamin Shaw – 241,667 Mark Farmiloe – 241,667 Tony Morris – 125,000 Paul Gibson – 50,000 James Short – 200,000 Kathleen Long – 150,000 Arthur Wakeley – 300,000 Iqbal Gill – 100,000 <b>Aggregated – 1,650,000</b>

If a participant ceases to be employed or engaged by the Company for a ‘bad leaver’ reason (fraud or gross negligence), the Company Subsidiary will have the right to buy-back their Subsidiary B Shares for a price equal to the original subscription price paid by the participant. In relation to the new awards of B3 Shares to selected members of the Celadon management team, the Subsidiary B Shares will also be subject to time-based annual vesting over 3 years. If a participant ceases to be employed by the Company (not as a ‘bad leaver’) then the Company will also have the right to buy-back their unvested Subsidiary B Shares for a price equal to the original subscription price paid by the participant.

The charge to the income statement in the six months ended 30 June 2023 in respect of the Subsidiary B-Share Incentive Scheme was £76k (six months ended 30 June 2022: £768k).

### Long Term Incentive Plan

Under the terms of the Long Term Incentive Plan, the Company is permitted to award share options to employees and advisors. These option awards provide the holder with a right to acquire Ordinary Shares of the Company in exchange for a payment of the nominal value of the shares. This right is exercisable subject to the satisfaction of either personal or Company Performance Conditions. In January and February 2023, five awards were made; one to an advisor to the Company with the remaining four awards being made to a director and employees.

The vesting periods for the Long Term Incentive Plan awards varied from awards that immediately vested due to the satisfaction of Performance Conditions prior to the option award being made, to three years from the date of the award. In the case of the award to a director, there is a requirement to hold the shares for a further two years after vesting.

The charge to the income statement in the period in respect of the Long Term Incentive Plan was £248k (2022: nil)



### **13. 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 2023 no consulting fees were charged (2022: £8,000). At 30 June 2023, £nil was unpaid (30 June 2022: £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 12.

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. No discretionary payment has been made.

In the six months ended 30 June 2023 £nil was charged to the Company (2022: £350k). At 30 June 2023 £nil was unpaid (30 June 2022: £nil).

#### **Tessera Investment Management Limited ("Tessera")**

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

On 15 January 2021, Summerway Capital Plc entered into an agreement with Tessera pursuant to which Tessera agreed to provide strategic and general corporate advice, and M&A and capital raising transaction support services. Tessera charged £12,500 per month (plus VAT) payable monthly in arrears from the date of the agreement. The agreement terminated on readmission of the Group to AIM on 28 March 2022. The agreement was subsequently varied on 15 August 2022 and 23 March 2023, with initially a lower retainer of £5,000 (plus VAT) with additional fees chargeable for work outside the scope of the agreement, then a capped fee of £10,000 (plus VAT).

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.

In the six months ended 30 June 2023, £63k (2022: £55k) of fees were charged to the Company. At 30 June 2023 £6k was unpaid (30 June 2022: £nil).

#### **14. Subsequent Events**

On 1 August 2023, the Research Ethics Committee ("REC") of the Medicines and Healthcare products Regulatory Agency ("MHRA") approved the roll-out of the Group's non-cancer chronic pain clinical trial for up to 5,000 patients. The Group conducted a feasibility study to demonstrate its ability to onboard patients during the latter half of 2022 and submitted its results to REC on 30 December 2022. The Group is able to use the data generated from the feasibility study as part of its data set from the clinical trial. The Group is working with its partners to finalise the plan for the optimal and timely roll-out of the trial.

On 5 September 2023, the Group announced its second sales contract, to provide the commercial sale of its cannabis product to a UK pharmaceuticals company, that the Group anticipates could generate up to £1.2 million in revenue over three years, with the option to extend the contract for a further two years.