RNS Number : 6150X
Graft Polymer (UK) PLC
27 April 2023

27 April 2023

Graft Polymer (UK) Plc

("Graft Polymer", the "Company", and together with its subsidiaries, the "Group")

Final Results

Graft Polymer (UK) Plc (LSE: GPL), a business focused on the development and commercial production of polymer modification, biological supplements, and nano-drug delivery systems, is pleased to announce its audited results for the 12 months to 31 December 2022.

Corporate and Operational Highlights

- Successful IPO on the London Stock Exchange in January 2022
- Equity raising of £5 million on IPO to accelerate growth
- Capital investment from the IPO fundraise doubles production line output at its state-of-the-art $1,300m^2$ Slovenian plantand R&D facility to 6,000 tonnes
- Two-fold increase in the physical footprint of the Slovenian facility, both in capacity and storage space
- Granted Hazard Analysis and Critical Control Point ("HACCP") certification enabling commercialisation of its IP for bio/pharma applications and providing the Company with an additional revenue stream
- Won first revenue generating commercial order for 50,000 units of MGC Pharmaceuticals product, ArtemiC™ Rescue
- Achieving first operating cashflow positive month during the year
- Expansion into the cosmetics industry through the receipt of a small-scale commercial purchase order to the Group's GraftBio division demonstrating capabilities to diversify product lines and pass rigorous cosmetic testing
- Awarded a total of five patents during the period, bringing the total number of patents within the portfolio to seven
- Cash and cash equivalents at period end of £1.64 million

Victor Bolduev, CEO, commented:

"In 2022, Graft Polymer has focused on building the foundations that will allow us to accelerate growth. Demand for polymer modifications is growing as industries strive to find better and more efficient uses of everyday materials such as metals, glass and paper, to name a few. Our versatility and ability to adapt our offering to meet customer demand and find solutions to, what at first may seem like an unsolvable problem, is our unique selling point. The investment made, in terms of equipment to expand our biopharma division and storage capacity, have resulted in a higher volume of customer enquiries, with our first revenue generating commercial order from MGC Pharmaceuticals product, ArtemiC™ Rescue, announced in August 2022. We envision this to be the first of many such orders into our biopharma division.

"Success in the polymer modification industry requires a willingness to adapt, innovate and collaborate. We continue to establish the steppingstones for growth and look forward to reporting our progress to shareholders during 2023."

Authorised for release by the board of directors, for further information please contact:

Graft Polymer (UK) Plc (via St Brides Partners)	**St Brides Partners (Public Relations)**
Roby Zomer, Non Executive Chairman	Catherine Leftley
Yifat Steuer, CFO and Executive Director	Ana Ribeiro
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James Pope

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Chairman's Statement

Our first year as a London Stock Exchange listed company has been one of significant achievement as we continued to build foundations that will enable us to deliver excellent performance across our divisions - The Polymer Modification division for industrial applications, where we develop solutions for complex and challenging client problems, and the GraftBio division, launched in 2020, which is focused on providing solutions to the Bio/Pharma sector. There is an ever-increasing demand for polymer modifications across multiple industries and geographies, and as an established business with a six-year history and a management team with over 15 years' experience, we are in a prime position to take advantage of this growth trend.

Having developed a proprietary set of polymer modification technologies, which use recycled raw materials and a closed loop system to reduce waste, our technology can improve existing products and processing methodologies by enhancing performance, simplifying manufacturing, reducing material consumption, widening the choice of feedstocks, and reducing costs. Our motto "*combine incompatible*" summarises the core of Graft Polymer's business: the use of a diverse range of modification technologies to combine otherwise incompatible molecular components into polymer composites.

During the period, the Company has made material progress at its state-of-the-art 1,300m^2 Slovenian production and R&D facility as outlined in its IPO prospectus, installing an additional production line, doubling its potential output to 6,000 tonnes per annum, and significantly increasing its storage capacity. This expansion is part of our long-term strategy, and it is critical as we focus on targeting larger clients and support businesses in the polymer sector that require backup production capability.

The Company won its first revenue generating commercial order for 50,000 units of MGC Pharmaceuticals' product, ArtemiC™ Rescue on 18 August 2022 which uses the Company's GraftBio proprietary drug delivery system. This drug has gone on to be listed as an over-the-counter drug on the US Food and Drug Administration's National Drug Code Database ('NDC'), enabling sales in the US.

Additionally, Graft Polymer has completed the expansion of its specialist bio-pharma facilities in Slovenia and was granted its HACCP certification during the year, a major milestone which enables Graft Polymer to commercialise its IP for bio/pharma applications, developing and supplying active pharmaceutical ingredients and drug delivery platforms for use in the food supplement market, thereby introducing a further revenue stream to our business.

The Slovenian facility has been granted ISO 14001 accreditation in recognition of the environmental management systems in place to reduce waste with the closed loop processing technique minimising waste to almost zero. The Board continues to place considerable emphasis on achieving the highest possible environmental and performance standards.

Review of Operations for the 12 months to 31 December 2022

Highlights

Corporate

- Successful IPO on the London Stock Exchange in January 2022
- Equity raising of £5 million on IPO to accelerate growth

Financial

- Cash and cash equivalents at Period end were £1.64 million
- Loss before taxation for the year was £2.705 million (incl. £858k share based payments - non cash)
- Net cash inflow for the period was £1.057 million
- The Group held net assets at Period end of £4.554 million

The Group held net assets at Period end of £4.534 million

Operations

- Considerable progress at our state-of-the-art 1,300m^2 Slovenian R&D and production facility:
  - Installation of additional production line, doubling potential output to 6,000 tons per annum, and significantly increasing our storage capacity
  - Expansion is part of the strategy to focus on securing commercial orders from larger clients and supporting businesses in the polymer sector
  - With a two-fold increase in the physical footprint of the Slovenian facility, both in capacity and storage space, Graft Polymer remains well positioned to target larger, regular orders of multiple products from customers, at attractive margins
- Granted a Hazard Analysis and Critical Control Point ("HACCP") certification which enables Graft Polymer to commercialise its IP for bio/pharma applications, specifically to supply third-party active pharmaceutical ingredients and our proprietary drug delivery platforms for use in the food supplement market
- Grant of ISO 14001 accreditation for our Slovenian facility in recognition of the environmental management systems in place to reduce waste with the closed loop processing technique minimising waste to almost zero.

Commercial Progress

- Won first revenue generating commercial order for 50,000 units of MGC Pharmaceuticals product, ArtemiC™ Rescue on 18 August 2022, which uses the Company's GraftBio proprietary drug delivery system
- December 2022 saw the Group's strongest month of sales in the year which followed month-on-month sales growth in 2022. The pipeline for 2023 is looking healthy as the Company looks to capitalise on the enlargement of its operations with larger mandates
- Expansion into the cosmetics industry through the receipt of a small-scale commercial purchase order to the Group's GraftBio division, demonstrating our ability to meet rigorous cosmetic testing requirements.

Intellectual Property & R&D

- Seven patents awarded during the financial year including:
  - FIPO 2765946, covering supersaturated self-nano-emulsifying drug delivery system for slightly water-soluble pharmaceutical compositions and method for its preparation;
  - SIPO 26054, covering super-saturable oil-free self-nano-emulsifying drug delivery system for poorly water-soluble pharmaceuticals composition and procedure of preparation thereof;
  - SIPO 26056, covering self-emulsifying concentrate of cannabinoid-ionic complex and method for its preparation;
  - SIPO 26070, covering the method for industrial production of modified polymers and device for its realisation; and
  - SIPO 26071, covering the method for production of a modified polymer.
- Seeking patents for Graft Polymer proprietary products is in line with the Company's layered IP strategy.

Outlook

For the year ahead, we have several key initiatives that will contribute to our ambition of continued product and sales growth. We plan to expand our global reach by establishing new partnerships and distribution channels in emerging markets. We will also continue to invest in research and development to create innovative products that meet the evolving needs of our customers. Finally, we will maintain our commitment to sustainability by adopting eco-friendly practices and reducing our carbon footprint.

We have built long term foundations during the past year, enabling us to double our production capacity, positioning us to target larger customers in the industry. Our unique and proprietary product offering gives us a competitive edge in the market, and we are confident that we can continue to build on our success in the coming year.

In summary, during the period our Company has strengthened its positioning for future growth and is now in a position to take on larger orders, with higher margins, at a time when demand for polymer solutions is high. We are optimistic about the projected uplift in the polymer market and are confident in our ability to meet the demands of this growing market. With our unique offerings, strong leadership, and key initiatives, we are well-prepared to capitalise on opportunities and achieve continued success in the coming year and beyond.

I would like to express my gratitude to our shareholders for their support, and I look forward to sharing our progress with the market in what promises to be a positive year for the Company. With our continued focus on innovation and operational excellence, we are confident that we can achieve our growth objectives and deliver value for all stakeholders.

Roby Zomer - Non-Executive Chair

26 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 Dec 2022 £'000	7 months to 31 Dec 2021 £'000
Continuing operations			
Revenue	4	542	219
Cost of sales		(242)	(118)
Gross profit		300	101
Other revenue		17	1
Operational costs	5	(238)	(100)
Depreciation and amortisation	5	(113)	(48)
Administrative expenses	5	(2,667)	(900)
Operating loss		(2,701)	(946)
Finance costs	8	(4)	(8)
Loss before taxation		(2,705)	(954)
Income tax	9	-	-
Loss for the year from continuing operations		(2,705)	(954)
Total loss for the year attributable to equity holders of the parent			
Other comprehensive income		(4)	19
Total comprehensive loss for the year attributable to equity holders of the parent		(2,709)	(935)
Earnings per share (basic and diluted) - pence	10	(2.61)	(1.36)

The accompanying notes form part of the consolidated financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	As at 31 Dec 2022 £'000	As at 31 Dec 2021 £'000
Non-current assets			
Property, plant and equipment	13	674	310
Right of use assets	12	27	-
Intangible assets	11	2,068	2,068
Other non-current assets		13	12
Total non-current assets		2,782	2,390
Current assets			
Cash and cash equivalents	17	1,640	598
Trade and other receivables	16	330	142
Inventory	14	187	-
Total current assets		2,157	740
TOTAL ASSETS		**4,939**	**3,130**
Non-Current liabilities			
Lease liability	12	18	-
Total non-current liabilities		18	-
Current liabilities			
Trade and other payables	18	322	1,360
Deferred income		41	-
Lease liability	12	4	-
Borrowings	19	-	958
Total current liabilities		367	2,318
Total liabilities		385	2,318
NET ASSETS		**4,554**	**812**
Equity -			
Issued share capital	20	41	7
Share premium	20	7,001	942
Shares to be issued		-	500
Capital reduction reserve		2,500	2,500
Foreign exchange reserve		(1)	3
Share based payments reserve	21	858	-
Retained earnings		(5,845)	(3,140)
TOTAL EQUITY		**4,554**	**812**

The financial statements were approved by the board on 26 April 2023:

Non-executive Director - Yifat Steuer

The accompanying notes form part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £'000	7 months ended 31 December 2021 £'000
Cash flow from operating activities			
Loss for the financial year		(2,705)	(954)
Adjustments for:			
Share based payments		858	-
Depreciation on fixed assets		108	46
Finance expenses		4	8
Foreign exchange movements		10	-
Amortization of right-of-use assets		5	-
Changes in working capital:			
Decrease / (increase) in trade and other receivables		43	(56)
Increase / (decrease) in trade and other payables		(496)	702
Increase in inventories		(187)	-
Net cash outflow from operating activities		**(2,360)**	**(254)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(718)	(1)
Net cash outflow from investing activities		**(718)**	**(1)**
Cash flows from financing activities			
Proceeds from Issue of Shares		4,475	500
Share Issue Costs		(340)	-
Net proceeds from borrowings		-	300
Net cash inflow from financing activities		**4,135**	**800**
Net increase in cash and cash equivalents		**1,057**	**545**
Cash and cash equivalents at beginning of the period		598	39
Foreign exchange effect on cash balance		(15)	14
Cash and cash equivalents at end of the year	17	**1,640**	**598**

During the period there were the following material non-cash transactions:

- £957,884 of convertible loan notes were converted to share capital on 10 January 2022

The accompanying notes form part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2022

	Share capital	Shares to be issued	Share premium	Capital reduction reserve	SBP reserve	Foreign exchange Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 May 2021	**7**	**-**	**942**	**2,500**	**-**	**(16)**	**(2,186)**	**1,247**
Loss for period	-	-	-	-	-	-	(954)	(954)
Other comprehensive income	-	-	-	-	-	19	-	19
Total comprehensive loss for period	-	-	-	-	-	19	(954)	(935)
Transactions with owners in own capacity								
Shares to be issued	-	500	-	-	-	-	-	500
Transactions with owners in own capacity	-	500	-	-	-	-	-	500
Balance at 31 December 2021	**7**	**500**	**942**	**2,500**	**-**	**3**	**(3,140)**	**812**
Loss for period	-	-	-	-	-	-	(2,705)	(2,705)
Other comprehensive income	-	-	-	-	-	(4)	-	(4)
Total comprehensive loss for year	-	-	-	-	-	(4)	(2,705)	(2,709)
Transactions with owners in own capacity								
Ordinary Shares issued in the period	34	(500)	6,399	-	-	-	-	5,933
Advisor warrants issued	-	-	-	-	143	-	-	143
Employee options issued	-	-	-	-	715	-	-	715
Share Issue Costs	-	-	(340)	-	-	-	-	(340)
Transactions with owners in own capacity	34	(500)	6,059	-	858	-	-	6,451
Balance at 31 December 2022	**41**	**-**	**7,001**	**2,500**	**858**	**(1)**	**(5,845)**	**4,554**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

Graft Polymer (UK) Plc ("the Company" or "GPUK") was incorporated in England and Wales as a limited company on 18 May 2017 as Graft Polymer (UK) Limited and was re-registered as a public limited company on 1 July 2021. The Company is domiciled in England and Wales with its registered office at Eccleston Yards, 25 Eccleston Place, London, SW1W 9NF. The Company's registered number is 10776788.

The Group successfully completed an IPO and admission to the standard segment of the London Stock Exchange on 6 January 2022.

The principal activities of the Company and all of its subsidiaries collectively referred to as "the Group" are the research, development and polymer modification technologies and polymer modification techniques.

The consolidated financial statements were approved for issue by the Board of Directors on 25 April 2023.

2 ACCOUNTING POLICIES

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users, that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

2.1 Basis of preparation

The financial Statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the Companies Act 2006.

The financial statements have been prepared under the historical cost convention unless stated otherwise. The principal accounting policies are set out below and have, unless otherwise stated, been applied consistently for all periods presented in these Financial Statements. The Financial Statements have been prepared in £GBP and presented to the nearest £'000.

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates. The functional currency of the Company is Pounds Sterling (£) as this is the currency that finance was raised in.

The functional currency of the operating subsidiary in Slovenia is the Euro (€) as this is the currency that mainly influences labour, material and other costs of providing services. The presentational currency of the Group is Pounds Sterling (£). Foreign operations are translated in accordance with the policies set out below.

The Group presents its financial statements for the year ended 31 December 2022 and presents comparatives for the 7-month period ending 31 December 2021.

2.2 New standards, amendments and interpretations

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases have not yet been adopted by the UK):

Standard	Impact on initial application	Effective date
Annual Improvements	2018-2020 Cycle	1 January 2023
IAS 1	Classification of liabilities Current or Non-current	1 January 2023
IAS 8	Accounting estimates	1 January 2023
IAS 12	Deferred tax arising from a single transaction	1 January 2023

The effect of these amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

The Directors have evaluated the impact that these amendments would have on the financial statements and concluded that the impact is negligible.

2.3 Going concern

The 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 Directors, having made due and careful enquiry, and are of the opinion that the Company and the newly formed Group have adequate working capital to execute its operations over the next 12 months. They have based this opinion primarily on the promising revenue trends and predictions seen in the 2022 financial year combined with realistic revenue goals for 2023. However, given the uncertainty associated with future revenue and Group's reliance on generating funds from the market the auditors have made reference to going concern by way of a material uncertainty within their audit report.

Taking these matters into consideration, the Directors consider that the continued adoption of the going concern basis is appropriate having reviewed the forecasts for the coming 18 months and the financial statements do not reflect any adjustments that would be required if they were to be prepared other than on a going concern basis.

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Per IFRS 10, control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

2.5 Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements for each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements is presented in £ Sterling, which is the Company's presentation and functional currency. The individual financial statements of each of the Company's wholly owned subsidiaries are prepared in the currency of the primary economic environment in which it operates (its functional currency). IAS 21 The Effects of Changes in Foreign Exchange Rates requires that assets and liabilities be translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (i.e. the average rate for the period). The foreign exchange differences on translation is recognised in other comprehensive income (loss).

ii. Transactions and balances

Transactions denominated in a foreign currency are translated into the functional currency at the exchange rate at the date of the transaction. Assets and liabilities in foreign currencies are translated to the functional currency at rates of exchange ruling at balance date. Gains or losses arising from settlement of transactions currency at rates of exchange ruling at balance date. Gains or losses arising from settlement of transactions and from translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement for the period.

iii. Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at the average exchange rate; and all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive Board of Directors.

2.7 Impairment of non-financial assets

Non-financial assets and intangible assets not subject to amortisation are tested annually for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment review is based on forecasted future cash flows. If the expected discounted future cash flow from the use of the assets and their eventual disposal is less than the carrying amount of the assets, an impairment loss is recognised in profit or loss and not subsequently reversed.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash generating units or 'CGUs').

2.8 Inventory

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, and demand deposits with banks and other financial institutions and bank overdrafts.

2.10 Financial instruments

IFRS 9 requires an entity to address the classification, measurement and recognition of financial assets and liabilities.

a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group classifies financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payment of principal and interest

- the contractual terms give rise to cash flows that are solely payment of principal and interest.

b) Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

d) Impairment

The Group assesses, on a forward looking basis, the expected credit losses associated with any debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11 Leases

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In all instances the leases were discounted using the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period. Right-of-use assets are measured at cost which comprises the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Payments associated with short-term leases (term less than 12 months) and all leases of low-value assets (generally less than £5k) are recognised on a straight-line basis as an expense in profit or loss.

2.12 Convertible loan notes, borrowings and borrowing costs

Convertible loan notes classified as financial liabilities and borrowings are recognised initially at fair value, net of transaction costs. After initial recognition, loans are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are capitalised as a prepayment for liquidity services and amortised over the period of the loan to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

settlement of the liability of at least 12 months after the end of the reporting period.

2.13 Equity

Share capital is determined using the nominal value of shares that have been issued.

Share to be issued relates to monies received in advance ahead of the issue of shares that was completed post period end following the admission to the London Stock Exchange. Upon the issue of these shares this reserve will be split between share capital and share premium reserves.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of group's foreign operations are translated at the exchange rates prevailing at the balance sheet date and items of income and expenditure are translated at the average exchange rate for the period. Exchange differences arising are recognised in other comprehensive income and accumulated in the Foreign Currency Reserve within equity.

Equity-settled share-based payments are credited to a share-based payment reserve as a component of equity until related options or warrants are exercised or lapse.

The foreign exchange reserve policy is set out in note 2.5.

Capital reduction reserve represents funds sent from the parent company to subsidiary that on the approval of Directors was reclassified from a loan in the subsidiary to an investment.

Retained losses includes all current and prior period results as disclosed in the income statement.

2.14 Share based payments

The Group has made awards of warrants and options on its unissued share capital to certain parties in return for services provided to the Group. The valuation of these warrants involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and interest rates. These assumptions have been integrated into the Black Scholes Option Pricing model and the Monte Carlo valuation model to derive a value for any share-based payments. These assumptions are described in more detail in note 21.

2.15 Earnings per share

The Group presents basic and diluted earnings per share data for its Ordinary Shares.

Basic earnings per Ordinary Share is calculated by dividing the profit or loss attributable to Shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per Ordinary Share is calculated by adjusting the earnings and number of Ordinary Shares for the effects of dilutive potential Ordinary Shares.

2.16 Revenue

Under IFRS 15, Revenue from Contracts with Customers, five key points to recognise revenue have been assessed:

Step 1: Identity the contract(s) with a customer;

Step 2: Identity the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract; and

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales of goods are recognised when the control of the goods is transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Control is considered to have transferred generally on despatch as most items are sold on a cost includes freight basis; or on delivery where Delivered Duty Paid ("DDP") Incoterms are used. The normal credit terms are 30 to 60 days upon delivery. Invoices that are issued before the transfer of control has occurred are allocated as deferred income and then recognised as revenue when the performance obligation has been satisfied.

The Group also derives revenue from the rendering of services, whereby revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

In arrangements where fees are invoiced ahead of revenue being recognized, deferred income is recorded.

2.17 Taxation

Tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is proved in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised of the deferred tax liability is settled.

2.18 Property, plant and equipment

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

When the Company acquires any plant and equipment it is stated in the accounts at its cost of acquisition less a provision.

Depreciation is charged to write off the costs less estimated residual value of plant and equipment on a straight basis over their estimated useful lives being:

- Plant and equipment: 5 - 7 years
- Buildings and leasehold improvements: 20 years

Estimated useful lives and residual values are reviewed each year and amended as required.

2.19 Intangible assets

Intangible assets acquired are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains and losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Intangible asset impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

2.20 Investments in Subsidiaries

Investments in Group undertakings are stated at cost.

2.21 Financial liabilities

Other financial liabilities are initially recognised at fair values less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

2.22 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and judgements and form assumptions that affects the reported amounts of the assets, liabilities, revenue and judgements and form assumptions that affects the reported amounts of the assets, liabilities, revenue and costs during the periods presented therein, and the disclosure of contingent liabilities at the date of the financial information. Estimates and judgements are continually evaluated and based on management's historical experience and other factors, including future expectations and events that are believed to be reasonable.

Know-how as an intangible asset (note 11)

The estimates and assumptions in relation to the carrying value of the know-how intangible assets are considered to have the most significant effect on the carrying amounts of the financial statements. Management have made a judgement in respect of the carrying value of the knowhow that was acquired as part of the acquisition of the subsidiary, using a 24 month 3-way forecast ending at December 2024. In the current period these intangible assets were not impaired.

Recoverability of the investment in subsidiary and intercompany receivable (note 15)

As at 31 December 2022 the carrying value of the Company's investment in its subsidiary Graft Polymer d.o.o. was £1,304k and net loans to subsidiaries are £1,685k. The recoverable value of this investment is not considered to be less than it is carrying value as at 31 December 2022 and therefore no impairment has been recognised. The Directors have made this assessment through reviewing forecasts, other available financial information available and developments during the period and post period-end. The key inputs within the forecast include revenue growth, gross profit margins and overheads. The directors can now also take a greater level of assurance from the fact that the majority of capital expenditure has been incurred giving customers and management greater certainty over placing orders.

Valuation of share based payments (note 21)

The Group issues options and warrants to its employees, directors, investors and advisors. These are valued in accordance with IFRS 2 "Share-based payments". In calculating the related charge on issuing shares and warrants the Group will use a variety of estimates and judgements in respect of inputs used including share price volatility, risk free rate, and expected life. Changes to these inputs may impact the related charge.

In the period the Group has utilised both the Black Scholes and Monte Carlo methods of valuation. In respect of employee options with different vesting conditions the Directors have applied a probability percentage against the value of the options. Specifically the Directors have concluded that there is a 75% probability that the Group will satisfy the revenue targets detailed in Note 21.

3. SEGMENT REPORTING

The following information is given about the Group's reportable segments:

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the Group. Management has determined the operating segment based on the reports reviewed by the Board.

The Board considers that during the year ended 31 December 2022 the Group operated in the single business segment of polymer development and production.

4. REVENUE

	Year ended 31 Dec 2022 £'000	7 mths to 31 Dec 2021 £'000
Product Sales Revenue		
Slovenia	41	-
Europe	415	131
Rest of the world	-	50
	456	181

Services Sales Revenue

Services Sales Revenue

Slovenia	86	9
Europe	-	29
	86	38
Total Sales Revenue	542	219

5. OPERATING COSTS AND ADMINISTRATIVE EXPENDITURE

	Year ended 31 Dec 2022 £'000	**7 mths to 31 Dec 2021 £'000**
Operating costs		
Depreciation	(113)	(46)
Operating costs	(238)	(102)
	(351)	(148)
Administrative costs		
Directors remuneration	(1,162)	(154)
Salary and wages	(111)	(52)
Professional and consulting fees	(703)	(656)
Travel expenses	(6)	(2)
Foreign exchange	(10)	-
Other expenses	(336)	(36)
Share based payments*	(339)	-
	(2,667)	(900)

**£519,000 of share based payments are shown in directors remuneration to reconcile to the remuneration report on page 23*

6. AUDITORS REMUNERATION

	Year ended 31 Dec 2022 £'000	**Year ended 31 Dec 2021 £'000**
Fees payable to the Group's auditor for the audit of parent company and consolidated financial statements	(46)	(37)
Reporting accountant services for IPO	-	(90)
	(46)	**(127)**

7. STAFF COSTS AND DIRECTORS' EMOLUMENTS

Directors' remuneration and employee costs for the Group are set out below and as per Directors Remuneration report beginning on page 22:

	Year ended 31 Dec 2022 £'000	**7 mths to 31 Dec 2021 £'000**
Directors salaries	319	154
Directors bonus	103	-
Directors pension	1	-

Directors fees	220	-
Share based payments	519	-
Employee costs	111	52
	1,273	206

On average, excluding non-executive directors, the Group employed 6 technical staff members (31 December 2021:6) and 3 administration staff members (31 December 2021: 3).

On average, excluding non-executive directors, the Company employed 1 technical staff member (31 December 2021: 2) and 1 administration staff member (31 December 2021: 2).

The highest paid director received remuneration of £454k (31 December 2021: £71k).

8. FINANCE COSTS

	Year ended 31 Dec 2022 £'000	7 months ended 31 Dec 2021 £'000
Finance charge on leased assets	(4)	(8)
Finance costs - net	**(4)**	**(8)**

9. TAXATION

No liability to income taxes arise in the period.

The current tax for the year differs from the loss before tax at a standard rate of corporation tax in the UK.

The differences are explained below:

	Year ended 31 Dec 2022 £'000
The charge for year is made up as follows:	
Corporation tax on the results for the year/period	-
A reconciliation of the tax charge appearing in the income statement to the tax that would result from applying the standard rate of tax to the results for the year is:	
Loss per the financial statements	(2,705)
Tax credit at the weighted average of the standard rate of corporation tax in Slovenia of 19% and UK of 19% - being 19% (31 Dec 2021: 19%)	(514)
Non-deductible expenses	163
Current year losses for which no deferred tax asset is recognised	(351)
Income tax charge for the year/period	-

Deferred tax assets carried forward have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered. The accumulated tax losses are estimated to amount to £4,229k (31 Dec 2021: £1,524k) and the carried forward deferred tax asset is estimated to amount to £803k. No deferred tax assets in respect of tax losses have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

On 15 March 2023 it was announced that from 1 April 2023 the UK corporation tax rate would increase from 19% to 25% for profits over £250,000. Profits made under the £250,000 threshold will continue to be taxed at a rate of 19%. The Company will continue to calculate the effective tax rate at 19%.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is calculated by dividing the profit or loss for the year by the weighted average number of ordinary shares in issue during the period.

	Year ended 31 Dec 2022	Period ended 31 Dec 2021
Loss for the year/period from continuing operations - £'000	(2,705)	(954)
Weighted number of ordinary shares in issue	103,589,479	70,000,000
Basic earnings per share from continuing operations - pence	(2.61)	(1.36)

There is no difference between the diluted loss per share and the basic loss per share presented. Share options and warrants could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the year presented. See note 21 for further details.

11. INTANGIBLE ASSETS

Group and Company

	31 Dec 2022 £'000	31 Dec 2021 £'000
Opening balance	2,068	2,068
Additions	-	-
	2,068	2,068

The additions in 2018 relates to the issue of 22,500,000 shares to founding director Victor Bolduev on the acquisition of his Know-how. At each period end, the Directors assess the intangible assets for any indicators of impairment and have concluded no presence of such indicators and based on the 24 month cashflow forecast and there being no presence of any impairment indicators the Directors have concluded that no impairment charge was necessary during the period.

12. LEASES

Group

	31 Dec 2022 £'000	31 Dec 2021 £'000
Right-of-use assets		
Motor vehicles	27	-
	27	**-**
Lease liabilities		
Current	4	-
Non-current	18	-
	22	**-**

Right of use assets

A reconciliation of the carrying amount of the right-of-use asset is as follows:

	31 Dec 2022 £'000	31 Dec 2021 £'000

Motor vehicles		
Opening balance	-	-
Additions	32	-
Depreciation	(5)	-
	27	**-**

Lease liabilities

A reconciliation of the carrying amount of the lease liabilities is as follows:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Opening balance	-	-
Additions	28	-
Finance charge	2	-
Repayments	(8)	-
	22	**-**

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements £'000	Plant & Equipment £'000	Total £'000
Cost			
At 31 May 2021	-	550	550
Additions	-	1	1
Exchange impact	-	(14)	(14)
At 31 December 2021	-	537	537
Additions	85	352	437
Exchange impact	4	48	52
At 31 December 2022	89	937	1,026
Depreciation			
At 31 May 2021	-	(186)	(186)
Charge for the period	-	(46)	(46)
Exchange impact	-	5	5
At 31 December 2021	-	(227)	(227)
Charge for the year	(27)	(81)	(108)
Exchange impact	(2)	(15)	(17)
At 31 December 2022	(29)	(323)	(352)
Net book value at 31 December 2021	-	310	310

Net book value at 31 December 2022	**60**	**614**	**674**

14. INVENTORY

GROUP	31 Dec 2022 £'000	31 Dec 2021 £'000
Raw materials	123	-
WIP	-	-
Finished goods	64	-
	187	-

A £nil amount of inventory was expensed during the period.

15. INVESTMENTS

COMPANY	31 Dec 2022 £'000	31 Dec 2021 £'000
Investment in Graft Polymer d.o.o	1,304	1,304
	1,304	1,304

**Immaterial investment in GraftBio Limited of £1*

Company subsidiary undertakings

Name	Business Activity	Country of Incorporation	Registered Address	Percentage Holding
Graft Polymer d.o.o.	Polymer development and production	Slovenia	Emonska Cesta 8, 1000, Ljubljana, Slovenia	100%
Graft Polymer IP Limited	Intellectual property	England and Wales	Eccleston Yards, 25 Eccleston Place, London, SW1W 9NF	100%
GRAFTBIO Limited	Bio-Polymer development and production	England and Wales	Eccleston Yards, 25 Eccleston Place, London, SW1W 9NF	100%

The Group owned interests in the following subsidiary undertakings, which are included in the consolidated financial statements:

16. TRADE AND OTHER RECEIVABLES

GROUP	31 Dec 2022 £'000	31 Dec 2021 £'000
Trade receivables	35	20
Other taxes and social security	55	99

Prepayments	232	-
Other receivables	8	23
	330	142

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	31 Dec 2022 £'000	31 Dec 2021 £'000
UK Pounds	45	112
Euros	285	30
	330	142

COMPANY	31 Dec 2022 £'000	31 Dec 2021 £'000
Other taxes and social security	21	88
Other receivables	24	24
	45	112

As at 31 December 2022 all trade and other receivables were fully performing and hence no provision has been processed. Trade receivables have the following aging:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Current	39	20
1 - 3 months	-	-
3 - 6 months	-	-
> 6 months	6	-
	45	20

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and short-term deposits held with banks with a A-1+ rating. The carrying value of these approximates to their fair value. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

GROUP	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and cash equivalents	1,640	598
	1,640	598

COMPANY	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and cash equivalents	1,548	545
	1,548	545

18. TRADE AND OTHER PAYABLES

GROUP	31 Dec 2022 £'000	31 Dec 2021 £'000
Trade payables	185	841
Accruals	114	480
VAT payable	23	39
	322	1,360

COMPANY	31 Dec 2022 £'000	31 Dec 2021 £'000
Trade payables	34	479
Accruals	114	439
	148	918

19. BORROWINGS

	31 Dec 2022 £'000	31 Dec 2021 £'000
Convertible note borrowings	-	950
Convertible note accrued interest	-	8
	-	958

	31 Dec 2022 £'000	31 Dec 2021 £'000
Opening balance	958	653
Convertible loans issued	-	300
Exchange impact	-	(3)
Interest accrued	-	8
Loans converted equity	(958)	-
Closing balance	-	958

On admission to the London Stock Exchange on 6 January 2022, 3 separate tranches of convertible loan notes were converted to equity as per below:

a) Tranche A: converted to 5,155,150 ordinary shares issued at £0.085

b) Tranche B: converted to 1,145,349 ordinary shares issued at £0.172

c) Tranche C:

   a. converted to 872,092 ordinary shares issued at £0.172

   b. converted to 775,194 ordinary shares issued at £0.172

20. SHARE CAPITAL

	31 Dec 2022 £'000	31 Dec 2021 £'000
Issued and fully paid ordinary shares with a nominal value of 0.1p (31 Dec 2021: 0.1p)		
Number of shares	104,097,299	70,000,000
Nominal value (£'000)	41	7

Change in issued Share Capital and Share Premium:

Ordinary shares	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Balance at 31 December 2021	70,000,000	7	942	1,449
Shares issued on IPO [1]	23,255,813	23	4,977	5,000
Shares issued on conversion of convertible[2] loan notes	5,155150	5	433	438
Shares issued on conversion of convertible[3] loan notes	2,792,635	3	494	497
Shares issued in lieu of services rendered[4]	2,893,701	3	495	498
Share issue costs	-	-	(340)	(340)
Balance at 31 December 2021	70,000,000	7	942	1,449
Balance at 31 December 2022	**104,097,229**	**41**	**7,001**	**7,042**

[1] As part of the IPO a placement of 23,255,813 shares was issued at a placement price of £0.215

[2] On admission to the LSE £438,188 of convertible loan notes were converted to equity resulting in the issue of 5,115,150 ordinary shares at £0.085.

[3] On admission to the LSE £497,000 of convertible loan notes were converted to equity resulting in the issue of 2,792,635 ordinary shares at £0.172.

[4] On 6 January the Company issued 2,893,701 ordinary shares at £0.172 in respect of services provided.

The share premium represents the difference between the nominal value of the shares issued and the actual amount subscribed less; the cost of issue of the shares, the value of the bonus share issue, or any bonus warrant issue.

21. SHARE BASED PAYMENTS RESERVE

	31 Dec 2022 £'000	31 Dec 2021 £'000
Advisor warrants issued[1]	143	-
Employee options issued[2]	715	-
	858	-

[1]On 6 January 2022, 1,255,814 warrants were issued to advisors and have been fair valued in accordance with IFRS 2 at the fair value of the services received. The warrants have an exercise price of £0.215 and a time to expiry of 3 years from grant.

[1]On 6 January 2022, 775,194 warrants were issued to advisors and have been fair valued in accordance with IFRS 2 at the fair value of the services received. The warrants have an exercise price of £0.215 and a time to expiry of 2 years from grant.

[2]On 6 January 2022, 11,173,611 employee options were granted to a number of employees within the Group. These options have different vesting conditions based on performance milestones that can be viewed below.

Share based payments valuation

The following tables summarise the valuation techniques and inputs used to calculate the values of share based payments in the period:

based payments in the period.

Warrants

Grant date	Number	Share price	Exercise price	Volatility	RF Rate	Technique
		£	£	%	%	
06/01/2022	1,255,814	0.215	0.215	47.7	1.75	Black Scholes
06/01/2022	775,194	0.215	0.215	47.7	1.75	Black Scholes

Options

Grant date	Number	Share price £	Volatility %	RF Rate %	Technique
06/01/2022	11,173,611	0.215	47.7	1.75	Monte Carlo

	As at 31 December 2022	
	Weighted average exercise price	Number of warrants
Brought forward at 1 January 2022	-	-
Granted in period	22p	2,031,008
Vested in period	22p	2,031,008
Outstanding at 31 December 2022	22p	2,031,008
Exercisable at 31 December 2022	22p	2,031,008

The weighted average time to expiry of the warrants as at 31 December 2022 is 1.64 years.

Options

On 6 January 2022 11,173,611 employee options were granted. The option vesting details are listed below:

Vesting Event	Trigger for Vesting	Number of options vested on date of vesting
1	- Company's share price reaching appreciation of 125% of the issue price based on a 15 day volume weighted average price in the 12 months from admissions and; - Group revenue exceeding 1m Euro in a 12 month period	One third of the total options issued
2	- Company's share price reaching appreciation of 150% of the issue price based on a 15 day volume weighted average price in the 24 months from admissions and; - Group revenue exceeding 5m Euro in a 12 month period*	Two thirds of the total options issued

*The Directors have assessed that there is the following probabilities of each revenue milestone being satisfied:

1) Group revenue exceeding €1 million in any 12 month period within the 10 year option life: 75%

2) Group revenue exceeding €5 million in any 24 month period within the 10 year option life: 75%

	As at 31 December 2022	
	Weighted average exercise price	Number of options
Brought forward at 1 January 2022	-	-
Granted in period	0.1p	11,173,611
Vested in period	-	-

Lapsed in period	-	(173,611)
Outstanding at 31 December 2022	0.1p	11,000,000
Exercisable at 31 December 2022	0.1p	-

The weighted average time to expiry of the warrants as at 31 December 2022 is 1.02 years.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

The Company manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. The overall strategy of the Company and the Group is to minimise costs and liquidity risk.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued share capital, foreign exchange reserves and retained earnings as disclosed in the Consolidated Statement of Changes of Equity.

The Group is exposed to a number of risks through its normal operations, the most significant of which are interest, credit, foreign exchange, commodity and liquidity risks. The management of these risks is vested to the Board of Directors.

The sensitivity has been prepared assuming the liability outstanding was outstanding for the whole period. In all cases presented, a negative number in profit and loss represents an increase in finance expense / decrease in interest income.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. Indicators that there is no reasonable expectation of recovery include, amongst others, failure to make contractual payments for a period of greater than 120 days past due.

The carrying amount of financial assets represents the maximum credit exposure.

The principal financial assets of the Company and Group are bank balances and trade receivables. The Group deposits surplus liquid funds with counterparty banks that have high credit ratings and the Directors consider the credit risk to be minimal.

The Group's maximum exposure to credit by class of individual financial instrument is shown in the table below:

	31 Dec 2022	31 Dec 2022	31 Dec 2021	31 Dec 2021
	Carrying Value	Maximum Exposure	Carrying Value	Maximum Exposure
	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,640	1,640	598	598
Trade receivables	35	35	20	20
	1,675	1,675	618	618

Currency Risk

The Group operates in a global market with income and costs possibly arising in a number of currencies and is exposed to foreign currency risk arising from commercial transactions, translation of assets and liabilities and net investment in foreign subsidiaries. Exposure to commercial transactions arise from sales or purchases by operating companies in currencies other than the Companies' functional currency. Currency exposures are reviewed regularly.

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash balances and a portion of the Group's costs being incurred in US Dollars and Euros. Accordingly, movements in the Sterling exchange rate against these currencies could have a detrimental effect on the Group's results and financial condition. Such changes are not considered likely to have a material effect on the Group's financial position at 31 December 2022. The majority of the Groups funds are held with HSBC which has the following credit ratings (Fitch: A+, Stable, Moody's A3, Stable, S&P A-, stable)

Currency risk is managed by maintaining some cash deposits in currencies other than Sterling. The table below shows the currency profiles of cash and cash equivalents:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and cash equivalents		
Sterling	1,548	540
Euro	92	58
	1,640	598

The table below shows an analysis of the currency of the net monetary asset and liabilities in the Sterling functional currency of the Group:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Balance denominated in		
Sterling	1,520	459
Euro	(60)	(319)
	(1,460)	(140)

Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group seeks to manage liquidity risk by regularly reviewing cash flow budgets and forecasts to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group deems there is sufficient liquidity for the foreseeable future.

The Group had cash and cash equivalents at period end as below:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and cash equivalents	1,640	598
	1,640	598

The table below sets out the maturity profile of the financial liabilities at 31 December:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Due in less than one month	(56)	(880)
Due between one and three months	(129)	-
Due between three months and one year	-	-
	(185)	(880)

Interest Rate Risk

The Group is exposed to interest rate risk whereby the risk can be a reduction of interest received on cash surpluses held and an increase in interest on borrowings the Group may have. The maximum exposure to interest rate risk at the reporting date by class of financial asset was:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Bank balances	1,640	598
	1,640	598

The Group is not materially reliant on interest revenue on cash and cash equivalents and therefore represents

The Group is not materially reliant on interest revenue on cash and cash equivalents and therefore represents a low volume of risk.

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

GROUP **31 Dec 2022**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**
Financial assets / (liabilities)	**£'000**	**£'000**	**£'000**
Trade and other receivables[1]	90	-	90
Cash and cash equivalents	1,640	-	1,640
Trade and other payables[2]	-	(203)	(203)
	1,730	(203)	1,527

[1] *Trade and other receivables excludes prepayments*

[2] *Trade and other payables excludes accruals, taxes and social security*

GROUP **31 Dec 2021**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**
Financial assets / (liabilities)	**£'000**	**£'000**	**£'000**
Trade and other receivables[1]	142	-	142
Cash and cash equivalents	598	-	598
Trade and other payables[2]	-	(880)	(880)
	740	(880)	(140)

COMPANY **31 Dec 2022**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**
Financial assets / (liabilities)	**£'000**	**£'000**	**£'000**
Trade and other receivables[1]	45	-	45
Cash and cash equivalents	1,548	-	1,548
Trade and other payables[2]	-	(34)	(34)
	1,593	(34)	1,559

COMPANY **31 Dec 2021**	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Total**
Financial assets / (liabilities)	**£'000**	**£'000**	**£'000**
Trade and other receivables[1]	112	-	112
Cash and cash equivalents	545	-	545
Trade and other payables[2]	-	(479)	(479)
	657	(479)	178

24. RECONCILATION OF MOVEMENT OF NET DEBT

31 December 2022	**At 31 December 2021**	**Non-cash changes**	**Cashflow**	**At 31 December 2022**

	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	598	-	1,042	1,640
Borrowings - current	(958)	958	-	-
Borrowings - non-current	-	-	-	-
Net Debt	(360)	958	1,042	1,640

31 December 2021	**At 1 May 2021**	**Non-cash changes**	**Cashflow**	**At 31 December 2021**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank	39	14	545	598
Borrowings - current	(653)	(5)	(300)	(958)
Borrowings - non-current	-	-	-	-
Net Debt	(614)	9	245	(360)

25. CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2022.

26. CONTINGENT LIABILITIES

In December 2021 the Company entered a royalty agreement with Victor was replaced by a Profit Share Agreement, whereby Victor is due 7% of the Company's annual operating profit that accrues on a monthly basis, up to an aggregate amount of €3,500,000, which will commence upon the Company achieving monthly operating profit of €20,000.

Other than above, there were no further contingent liabilities at 31 December 2022.

27. COMMITMENTS UNDER OPERATING LEASES

There were no commitments under operating leases at 31 December 2022.

28. RELATED PARTY TRANSACTIONS

The Group's investments in subsidiaries have been disclosed in note 15.

During the year the Company entered into the following transactions with other Group companies:

	Amounts owed by / (to) group companies			
	Opening Balance £'000	**Movement in year £'000**	**Provisions in year £'000**	**Closing Balance £'000**
Graft Polymer d.o.o. - 31 Dec 2021	91	211	-	302
Graft Polymer d.o.o. - 31 Dec 2022	302	1,412	-	1,714
Graft Polymer IP Limited - 31 Dec 2021	-	(29)	-	(29)
Graft Polymer IP Limited - 31 Dec 2022	(29)	-	-	(29)

The Directors conducted an impairment review and are satisfied that the carrying value of intergroup loans is reasonable and no impairment is necessary

At 31 December 2022 the Company had an outstanding amount receivable from Graft Polymer d.o.o. of £1,713,649 (31 Dec 2021 £257,000) and owed Graft Polymer IP Limited £29,000 (31 Dec 2021: £29,000). The Company has applied the expected credit loss model as required under IFRS 9 and are comfortable that there are no impairment indications. The amount owed is unsecured, interest free, and has no fixed terms of repayment. The balance will be settled in cash. No guarantees have been given or received.

Details of directors' emoluments are set out in the directors remuneration report beginning on page 22.

Transactions with related parties

Transactions with related parties

Chitta Lu Limited

During the period the Group paid a total of 66,000 Eur to Chitta Lu Limited for corporate finance services related to the IPO in January 2022. Roby Zomer is a director of both Graft Polymer (UK) Plc and Chitta Lu.

MGC Pharmaceuticals Limited

During the period the Group received €48,125 of revenue from MGC Pharmaceuticals. Roby Zomer is a director of both Graft Polymer (UK) Plc and MGC Pharmaceuticals Limited.

29. EVENTS SUBSEQUENT TO PERIOD END

There have been no material events post period end that require disclosure.

30. CONTROL

In the opinion of the Directors as at the year end and the date of these financial statements there is no single ultimate controlling party.

END

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