



2 May 2023

**Kanabo Group Plc**  
("Kanabo", the "Group" or the "Company")

#### **FULL YEAR RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022**

- *Kanabo is now a fully focused health-tech company; combining a digital healthcare platform and treatment portfolio with a focus on medicinal cannabis products*
- *Successful integration of The GP Service and launch of an online pain management clinic, a key strategic pivot for the Group*
- *Now building a substantial operational base for future growth*

Kanabo Group plc (LSE: KNB) the patient focused healthcare technology and medicinal cannabis company, announces results for the year results for the year ended 31 December 2022 ("FY 2022").

Having delivered significant progress against its strategic objectives across FY 2022, Kanabo uniquely combines a digital healthcare platform that facilitates access to healthcare professionals, and a treatment portfolio which includes medicinal cannabis products, providing seamless access to high-quality medical treatments for pain management.

#### **2022 Key Highlights:**

- Ongoing progress to improve the financial stability of the Group:
  - Revenues increased 726% to £603k (2021: £73k)
  - Operating loss totaled £6.8m (2021: operating loss of £4.6m)
  - Cash at 31 December 2022 of £3.2m (31 December 2021: £4.4m)
  - Raised £2.25m (in February 2022), by way of an oversubscribed Placing
- Acquisition of The GP Service Ltd ("GP Service") now fully integrated into the Group, expanding the Group's activities and skillset across the digital health services arena
- Launched two new 'prescription only' cannabis-derived formulations for pain management
- Launched a dedicated eCommerce platform, [Kanabo. Store](#), focused initially at the UK market, with plans already underway to expand into additional European markets
- Formation of Kanabo Agritec - in which Kanabo holds a 40% share - dedicated to providing consulting services around the production, operation and management of medical cannabis production facilities

#### **Post Period End and Outlook:**

- Launch of Treat It, the Company's new online clinic for pain management. The service allows patients direct access to high-quality medical treatments, including medicinal cannabis, and enables patients to take control of their own personalised care
- Appointment of MHA MacIntyre Hudson as the Company's auditors
- Continue to deliver further ongoing strategic progress, which includes the process of obtaining CE Mark certification for the Group's cannabis inhaler which remains on track
- Through aligning the growing demand for digital medical access and Kanabo's knowledge of the medicinal cannabis industry, the Board remains confident in both short-term and medium-term growth prospects for the Company, and remains committed to developing a scaled business capable of fully exploiting a number of near term growth opportunities

**Avihu Tamir, Chief Executive Officer of Kanabo, commented:**

*"2022 has proved to be one of the most strategically important years for our business, as we seek to further expand our operational footprint across both the medicinal cannabis and digital health services arenas.*

*"Our acquisition of GP Service will now provide the bedrock of our activities as we continue to evolve Kanabo into a wellness and healthcare specialist, whilst fully leveraging our market leading expertise in the development, and distribution of cannabis-derived medicinal products.*

*"2023 has started well, and we were delighted to announce the launch of our online medicinal cannabis clinic for pain management in March - leveraging our proprietary technology to provide access to pain management treatments for patients across the UK. I believe we now have the right strategic and operational focus to deliver further financial progress and I look forward updating all our key stakeholders throughout the year."*

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**Kanabo Group plc**

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**About Kanabo Group Plc**

Kanabo Group Plc (LSE:KNB) is a healthtech company committed to revolutionising patient care through its innovative technology platform and disruptive treatment offerings. Since its inception in 2017, Kanabo has been focused on researching, developing, and commercialising regulated medicinal cannabis-derived formulations and therapeutic inhalation devices.

Kanabo's NHS-approved online telehealth platform, The GP Service, provides patients with video consultations, online prescriptions, and primary care services. The Company is a leader in its field, focusing on improving patient outcomes and providing more accessible healthcare experiences.

In March 2023, Kanabo successfully launched its Pain Clinic, Treat It, under the expert guidance of its technological and product expertise. Treat It initially focuses on chronic pain management using plant-based medicine and treatments that are currently unavailable through traditional channels.

At Kanabo Group Plc, we are dedicated to providing patients with the highest quality medical treatments and more accessible healthcare experiences.

Visit [www.kanabogroup.com](http://www.kanabogroup.com) for more information.

**Chair's Statement**

I am delighted to report on the significant strategic progress of the Company. Since the beginning of 2022 we have continued to further strengthen the business, with the development and launch of new products, acquisitive growth with the addition of The GP Service to the Group, and the launch of a Kanabo Agritec Ltd ("Agritec"), a new, partly owned subsidiary offering one-stop-shop consultancy services regarding the design, build, operation and management of the production of medicinal cannabis. The Group is now well positioned to leverage its skillset and products and capitalise on the market opportunity.

In February 2022, we announced the acquisition of The GP Service, and I would like to take this opportunity to welcome the team from The GP Service to our growing group - we look forward to working together to broaden our reach and leveraging The GP Service's platform to expand our overall accessible market. This collaboration will undoubtedly strengthen our position in the healthcare sector and benefit our stakeholders.

The acquisition of The GP Service has been immediately boosted earnings, contributing to an improved financial performance. We are pleased to report revenue growth of £603 thousands, compared to £73 thousands the previous year. This is before fully completing the post-merger integration, which concluded in Q1 2023.

The acquisition of The GP Service has expanded the Group's service offering in the healthcare space. With an existing network of over 40,000 patients and approximately 4,500 registered pharmacies, the platform presents an opportunity to leverage The GP Service to further promote the sales of the Group's cannabis-derived products for medical patients and other specialised treatment portfolios. We have already seen a significant increase in the number of monthly consultations and look forward to further driving the reach of the service.

In August, we announced the formation of a new subsidiary, Agritec, in which the Group has a 40% shareholding. Kanabo Agritec will provide consultancy services, leveraging the experience and knowledge of our team in areas such as cultivation, processing, and production of cannabis products to advise other cultivators on maximising their potential. Furthermore, these consultancy services enable the Group to enhance the security of its cannabis supply by diversifying its range of suppliers and generating a new revenue stream in the short term.

The Group was pleased to complete a £2,250 thousands oversubscribed Placing in February 2022, following strong demand from both new and existing shareholders. Following the well-supported fundraising in February 2022, our cash balance at 31 December 2022 was £3,204 thousands (31 December 2021: £4,477 thousands).

Following the acquisition of The GP Service, the Group strengthened the team with the appointment of Dr Mehran Afshar as Clinical Director of the Group. Dr Afshar's primary role is to manage compliance policies and procedures regarding the supply of medicinal cannabis through The GP Service.

In March 2022, Uziel Danino retired from the Board of Directors and in December, it was announced that Andrew Morrison stood down as Non-Executive Director. Both Uziel and Andrew were instrumental in the successful listing of Kanabo on the London Stock Exchange. In March 2023, it was additionally announced that Daniel Poulter had stepped down as Non-Executive Director, with Kanabo confirming it was at an advanced stage of discussions regarding the appointment of a UK-based NED. I would like to thank Uziel, Andrew and Daniel for their support and contribution to Kanabo and wish them well with their future endeavours. Gil Efron, who has considerable capital markets and healthcare expertise was appointed to the Board of Directors in March 2022.

Following the year end, the Group was delighted to announce the launch of Treat It, a dedicated online clinic for pain management, which leverages our proprietary technology to extend our market reach for our medicinal cannabis products. Furthermore, we announced the appointment of MHA MacIntyre Hudson as the Group's auditors.

The Group remains focused on the following key strategic priorities:

- Continue to capitalise on demand for access to healthcare professionals to drive growth of the GP Services business;
- Leverage a number of cross sell opportunities of the GP Service;
- Ongoing development of the Group's healthcare services, including our recently launched online pain management clinic, to further grow market share;
- Maintain existing product development activities to further strengthen the Group's medicinal cannabis product footprint;
- Focus on achieving medical device CE mark approval for our inhaler product;
- Continue to explore opportunities to further expand Kanabo's sales reach and online distribution channels.

The Kanabo team continue to be critical to the success and drive of the business and to that end, I would like to extend my sincere thanks for their contribution over the past year. It is testament to the team and their continued drive that Kanabo is so well placed to capitalise on the market opportunity in the provision of digital health services and cannabis products across Europe.

**David Tsur**

Chair

27 April 2023

#### Chief Executive Officer's Review

2022 has been a year of significant progress for Kanabo. Not only have we launched new products and seen further demand for our core products, but we have also extended the Group's capabilities with the addition of the telehealth services provided by The GP Service. Furthermore, we have leveraged our in-house expertise through Kanabo Agritec, which adds strength and depth to our supply chain for core products.

Having completed the acquisition of The GP Service, Kanabo is now uniquely placed to provide access to high-quality medical treatment for pain management. Kanabo combines a digital healthcare platform that allows patients access to healthcare professionals, with a treatment portfolio which includes medicinal cannabis and other products not usually available to patients.

The Group continues to provide a "product-to-patient" solution for cannabis-derived products, now with a platform to prescribe medicinal products directly to patients. The Group develops and commercialises high quality cannabis formulas that are delivered to the patient via medical grade vaporisers and non-combustible inhalation solutions, either through direct sales or via prescription. Following the acquisition of The GP Service, we see great potential to grow sales via the prescription channel. Furthermore, through the Group's advisory and consultation services in Kanabo Agritec, we are able to bolster and secure the supply of quality raw product. Our pharmaceutical grade production standards ensure high quality, high potency medical-grade products.

The corporate activity undertaken throughout the year demonstrates the Group's continued focus on our strategy to be a digital healthcare provider and leading supplier of innovative medical solutions to patients suffering from conditions including chronic pain, anxiety and central nervous system diseases.

#### The GP Service

We were delighted to announce the acquisition of The GP Service in February 2022. Utilising an online consultation platform, The GP Service offers the services of online doctors to help diagnose and treat common conditions. The system, already an approved provider on the NHS digital framework, allows patients to consult with qualified doctors, who then are able to provide prescriptions, referral letters and fit notes.

As well as providing access to GP appointments, The GP Service also partners with certain UK corporations to provide services to employees as part of benefits packages and in June 2022, it was confirmed it had extended its contract with one of the UK's largest group of retail businesses. The service now provides live video consultation appointments with registered GPs, and prescriptions are available through the platform's partner network of over 4,000 pharmacies across the UK. Given the increasing pressure experienced by the NHS, we anticipate seeing continued demand for our private GP appointments through The GP Service as individuals seek access to medical advice.

Following the acquisition, we have invested in technology to support its suite of digital tools, including video consultations, digital prescriptions and access to primary care services. This investment supported the service in seeing a steady growth in the number of monthly users of the digital health services, with more than 100% increase in the number of consultations on a monthly basis since the acquisition of the GP Service.

#### The GP Service (cont.)

Under the new management of Kanabo, The GP Service's core activities have shown a growth of over 100% in monthly revenue from acquisition to the end of the year. This growth is expected to continue as we add new treatments to the platform and invest in additional IT developments.

The acquisition of The GP Service has provided the Group with a solid foundation in the UK digital health market and presents an opportunity to capitalise on the footprint to expand our activities and further strengthen our UK market

position.

## **Products**

In March 2022, we unveiled our cutting-edge eCommerce platform, Kanabo.store. Initially targeting the UK market, the platform allows customers to purchase Kanabo's devices and pods directly. Our unique VapePod, a first-of-its-kind medical-grade vaporiser, offers users a convenient and precise dosing experience.

Since the launch, we have been dedicated to broadening our product offerings. We introduced two new medical cannabis extract formulas for inhalation, specifically designed for pain management and compatible with the VapePod. As the only products of their kind currently available in the UK market, these innovative solutions have garnered positive feedback from our customers.

We are making significant progress towards acquiring CE Mark approval for our proprietary VapePod MD delivery device. Once approved, the VapePod MD will become Europe's first medical device-certified cannabis inhaler of its kind, paving the way for increased sales throughout Europe and rapid expansion into Germany and other EU markets. In the coming months, we anticipate providing an update on this development.

Our partnership with Medocann, a leading premium cultivator in Israel, continues to strengthen as we collaborate on a unique, high-end product line of cannabis-based products for medicinal use. The products in development will target specific medical conditions, and Kanabo has exclusive distribution rights to the co-developed products in the German and UK markets.

## **Agritec**

As a Group, we have acquired extensive expertise in designing, building, operating and managing medicinal cannabis facilities. By setting up Kanabo Agritec, we can leverage this expertise to boost and diversify the supply chain through key offtake agreements, reducing the risk of overreliance on any particular supplier. Alongside the launch of Kanabo Agritech, we announced our first contract for the subsidiary - an MoU for the design, build, and operation of a 4,000kg per annum indoor cultivation and processing facility in Madrid, Spain, dedicated exclusively to medicinal cannabis. The negotiations to formalise the MoU with a signed contract continue to progress well.

## **Corporate activity**

Our Placing in February 2022 was well supported by both existing shareholders and new investors and we will use the £2,250 thousands proceeds to accelerate our strategy to become one of Europe's leading digital healthcare providers, with access to a broad treatment portfolio, including medicinal cannabis.

Early in 2022, we announced the decision not to proceed with the acquisition of the European businesses of Canada-based Materia, comprising the Maltese EU GMP certified facility, German medical cannabis wholesaler and a UK CBD eCommerce platform, with the preference to proceed with a strategic partnership instead. In March 2023, the Company received notice that 11157353 Canada Corp., which trades under the name Materia ("Materia"), has been put into receivership.

On 25 July 2021, Kanabo signed a head of terms agreement for the acquisition of Materia. As part of this agreement, the Group loaned Materia CAD\$1,000 thousands, as announced on 6 June 2022, the loan given to Materia by the Company was fully impaired based on the Directors' assessment of Materia's ability to repay the debt. The Company will continue to work to extract as much value as possible in the form of cash or assets for the benefit of Kanabo.

Kanabo, as a Group, explores acquisition opportunities and strategic partnerships that will help us improve our expertise, enhance our digital healthcare services, and speed up bringing our products to market. Our strategic preference is to acquire companies in the "last mile", which will help us increase our sales and profits when integrated to the broader Group.

## **Broader industry involvement**

Kanabo continues to be highly respected within the industry, which is reflected in it being selected as a steering group member for the development of a British Standard for CBD non-tobacco Vape products. It is expected that a Publicly Available Specifications ("PAS") document will be published in 2023, with a standardisation document defining best practice in the industry. We firmly believe regulation and policy are critical as the use of cannabis for medical and

wellness purposes continues to gain momentum. We want to ensure we remain at the forefront of the industry, guaranteeing the highest standards in both our production processes and final market products.

#### **Post Period end**

In March 2023, following the year end, we realised our plan to cross pollinate our business, through leveraging The GP Service's fully compliant digital framework to prescribe the Group's medicinal cannabis products with the launch of our Treat It platform. Treat It is a dedicated online pain management clinic, with access to a broad treatment portfolio including medicinal cannabis. The clinic affords patients suffering from chronic pain conditions greater access to our medicinal cannabis treatments.

In March 2023, the Group appointed MHA MacIntyre Hudson as the new auditors for the Group after the Group was informed that Jeffreys Henry - the previous auditor - was no longer eligible to undertake LSE audits.

#### **Outlook**

As we look forward to 2023, we believe the business is now well balanced with both our core cannabis capabilities and The GP Services division. Since we acquired The GP Service, we have seen a significant increase in demand for the services, with demand for services up 72% when comparing Q1 2023 versus Q1 2022. We believe this demand will not abate in the near future for various reasons including the continued pressure on nationalised services. We are also cognizant of the opportunity to leverage the established and extensive network within GP Service to expand the potential audience for our UK prescription products.

There is significant opportunity in the medicinal cannabis market for companies with innovative products, particularly as regulation is introduced across more European markets. The Group's proprietary VapePod MD system has been submitted for CE Mark approval and we hope to be in a position to announce progress on the certification in the coming months. There is also the potential for more markets - such as France and Spain, where any use of cannabis is currently prohibited - to open up. Furthermore, The GP Service platform has significant cross-selling potential for our wellness and medical products.

We continue to recognise the importance of developing new products to bring to market, and to that end, our scientists are focused on delivering innovative formulas aimed at both the medical and wellness markets. In addition to leveraging The GP Service platform, we are committed to introducing new treatments to both primary and secondary care, ensuring that we stay at the forefront of providing cutting-edge solutions to our customers.

We have made a positive start to 2023 and remain excited by the significant market opportunity ahead of us. We believe the Group now has the capabilities and potential to truly capitalise on it given our position as one of the leading providers of cannabis for medical and wellness services.

We believe there is significant potential to drive our market share in both the direct sale of cannabis products and our online GP platform, The GP Service, alongside our recently launched Treat It platform, which combines both elements of the business and provides access to medical professionals who can prescribe medicinal cannabis.

As we head into 2023, we have a more diverse business proposition. The combined expertise and offering presents a unified platform that uniquely combines a digital healthcare platform and treatment portfolio, connecting patients with accessible, affordable, and personalised healthcare.

The Board remains confident in both short-term and medium-term growth prospects for the Company and remains committed to developing a scaled business capable of fully exploiting a number of near-term growth opportunities.

The Chief Executive Officer's review is an integral part of the Company's Strategic Report.

**Avihu Tamir**

Chief Executive Officer

27 April 2023

Financial results for 2022 reflect a year of transition for Kanabo. Alongside investment in the underlying business, with the launch of new products, a dedicated online marketplace, and a more secure supply chain via Kanabo Agritec, we have undertaken a strategically important acquisition, bringing the GP Service into the Group. The acquisition not only provides an additional revenue stream to the Group, but a significant network of GPs and pharmacies which we can leverage to drive sales of our medicinal cannabis products. A summary of the financial performance for the year is given below.

Kanabo revenues in 2022 totaled £603 thousands (2021: £73 thousands), an increase of 726% compared to the previous year primarily due to the contribution of revenues generated from The GP Service.

Operating loss for 2022 was £6,781 thousands (2021: operating loss of £4,574 thousands), representing a 48% increase, largely due to one off expenses, including acquisition-related transaction costs which were expensed as incurred.

During the period, the Company invested £597 thousands (2021: £242 thousands) in Research and Development, £361 thousands of which was directly related to staff compensation, including salaries and share based payments.

Sales and Marketing expense increased during the period to £1,190 thousands (2021: £569 thousands), £752 thousands of which was directly related to staff compensation with the remainder due to the increased marketing costs for wellness products following the launch of the Company's UK eCommerce site.

General and administration expenses for 2022 were £3,804 thousands (2021: £2,000 thousands). General and administration expenses increased mainly due to the increase in the Group's activity following the acquisition of GP Service. Out of the General and administration expenses a total amount of £1,581 thousands (2021: £443 thousands) was for non-cash expenses (i.e., amortisation, depreciation, and other share-based payments expenses).

Net financing expenses for 2022 were £89 thousands (2021: £23 thousands gains), reflecting interest on interest bearing loans and finance cost over lease.

At 31 December 2022, the Company had £3,204 thousands in cash (31 December 2021: £4,477 thousands). The decrease in cash balances can be primarily attributed to the £3,776 thousands used in operating activities, offset by £2,250 thousands raised in February 2022.

2022 was a significant year of progress for Kanabo. The acquisition of The GP Service has created a second revenue stream for the business, but also bolstered our business model by creating a robust, established and legitimate route to market for our medicinal cannabis products through the significant GP and pharmacy network. We have also launched our dedicated online marketplace, and created Kanabo Agritec which seeks to both diversify and de-risk our supply chain. We believe the business now has strong foundations and is well placed to capitalise on the opportunity and provide access to GP services for those who need it, and also enable chronic pain sufferers more access to medicinal cannabis products. We have maintained the momentum as we have moved into 2023 and remain optimistic about the Group's prospects in the years ahead.

On 25 July 2021, Kanabo signed a head of terms agreement for the acquisition of 11157353 Canada Corp., which trades under the name Materia ("Materia"). As part of this agreement, the Group loaned Materia CAD\$1.0m, as announced on 6 June 2022, the loan given to Materia by the Company was fully impaired based on the Directors' assessment of Materia's ability to repay the debt.

Post-period end, the Company received notice that Materia, has been put into receivership. The Company will continue to work to extract as much value as possible in the form of cash or assets for the benefit of Kanabo.

The Chief Financial Officer's review is an integral part of the Company's Strategic Report.

**Assaf Vardimon**

Chief Financial Officer

Consolidated Statement of Profit or Loss

For the year ended 31 December		2022	2021
	Note	£ 000	£ 000
Revenue	7	603	73
Cost of sales	8	404	66
<b>Gross profit</b>		<b>199</b>	<b>7</b>
Research and development expenses	9	597	242
Sales and marketing expenses	10	1,190	569
General and administration expenses	11	3,804	2,000
Impairment (reverse impairment) of financial assets carried at amortised cost	24	(59)	598
Other expenses - including acquisition and listing costs	13	1,448	1,172
<b>Operating loss</b>		<b>(6,781)</b>	<b>(4,574)</b>
Net finance income (expenses)	14	(89)	23
<b>Loss for the year</b>		<b>(6,870)</b>	<b>(4,551)</b>
<u>Attributable to:</u>			
Equity holders of the parent		(6,867)	(4,551)
Non-controlling interests		(3)	-
		<b>(6,870)</b>	<b>(4,551)</b>
<b>Loss (basic and diluted) per share from operations attributable to the equity owners</b>			
<b>Basic and diluted loss per share (pence per share)</b>	16	<b>(1.65)</b>	<b>(1.40)</b>

The notes to the financial statements form an integral part of these financial statements.

Consolidated Statement of Comprehensive Loss

For the year ended 31 December		2022	2021
	Note	£ 000	£ 000
<b>Loss for the year</b>		<b>(6,870)</b>	<b>(4,551)</b>
<b>Other comprehensive income (loss) for the year</b>			
Foreign operations - foreign currency translation differences	21	(82)	
<b>Total items that may be reclassified to profit or loss</b>	21	<b>(82)</b>	
<b>Total comprehensive loss</b>		<b>(6,849)</b>	<b>(4,633)</b>
<u>Attributable to:</u>			
Equity holders of the parent		(6,846)	(4,551)
Non-controlling interests		(3)	-
		<b>(6,849)</b>	<b>(4,551)</b>

The notes to the financial statements form an integral part of these financial statements.

**Consolidated Statement of Financial Position**

<b>As at 31 December</b>		<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£ 000</b>	<b>£ 000</b>
<b>ASSETS</b>			
Non-current assets			
Intangible assets and goodwill	17	10,044	-
Property, plant, and equipment	18	96	42
Right-of-use asset	31	282	-
Long-term deposit	31	31	-
Financial asset through profit or loss	20	-	750
		<b>10,453</b>	<b>792</b>
<b>Current assets</b>			
Inventories	21	81	63
Trade receivables	22	43	10
Other receivables	23	156	237
Financial asset through profit or loss	20	491	-
Short-term deposits		24	20
Cash and cash equivalents	26	3,204	4,477
		<b>3,999</b>	<b>4,807</b>
<b>Total assets</b>		<b>14,452</b>	<b>5,599</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	27	10,573	9,249
Share premium account	27	6,850	(*) 5,169
Merger reserve	27	11,393	(*) 9,231
Share-based payments reserve	28	1,715	758
Share to be issued reserve	6.a, 6.c	10,476	2,500
Reverse acquisition reserve		(14,968)	(14,968)
Foreign currency translation reserve		10	(7)
Retained deficit		(13,605)	(6,748)
<b>Equity attributable to equity holders of the parent</b>		<b>12,448</b>	<b>5,184</b>
Non-controlling interests		(3)	-
<b>Total equity</b>		<b>12,445</b>	<b>5,184</b>
<b>Non-current liabilities</b>			
Interest-bearing loan and borrowings	29	509	-
		<b>509</b>	-
<b>Current liabilities</b>			
Trade payables		153	42
Other payables	30	1,147	373
Interest-bearing loan and borrowings	29	198	-
		<b>1,497</b>	<b>415</b>
<b>Total liabilities</b>		<b>2,007</b>	<b>415</b>
<b>Total equity and liabilities</b>		<b>14,452</b>	<b>5,599</b>

(\*) Reclassified, see note 27.

The notes to the financial statements form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2023 and were signed on their behalf by:

**David Tsur**

Chair

**Company's Statement of Financial Position**

<b>As at 31 December</b>		<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£ 000</b>	<b>£ 000</b>
<b>ASSETS</b>			
Non-current assets			

<b>Property, plant, and equipment</b>	18	17	21
Investments in subsidiary	19	23,746	14,676
Intercompany receivables	25	1,097	-
Financial asset through profit or loss	20	-	750
		<b>24,860</b>	<b>15,447</b>
<b>Current assets</b>			
Inventories	21	81	63
Trade receivables	22	35	10
Other receivables	23	69	210
Intercompany receivables	25	3,192	834
Financial asset through profit or loss	20	491	-
Cash and cash equivalents	26	937	4,148
		4,805	<b>5,265</b>
<b>Total assets</b>		<b>29,665</b>	<b>20,712</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	27	10,573	9,249
Share premium account	27	6,850	(*) 5,169
Merger reserve	27	11,393	(*) 9,231
Share-based payments reserve	28	1,715	750
Share to be issued reserve	6.a, 6.c	10,476	2,500
Retained deficit		(12,326)	(6,360)
<b>Total equity</b>		<b>28,681</b>	<b>20,539</b>
<b>Current liabilities</b>			
Trade payables		79	24
Other payables	30	905	149
		984	173
<b>Total liabilities</b>		<b>98</b>	<b>173</b>
<b>Total equity and liabilities</b>		<b>29,665</b>	<b>20,712</b>

The notes to the financial statements form an integral part of these financial statements.

As permitted by section 408 of the Companies Act 2006, the parent company's income statement has not been included in these financial statements. The loss for the parent Company was £5,976 thousands (2021: loss of £5,584 thousands).

The financial statements were approved and authorised for issue by the Board of Directors on 27 April 2023 and were signed on their behalf by:

**David Tsur**

Chair

Company Registration No. 10485105

#### Consolidated Statement of Changes in Equity

		Attributable to owners of the Company							
		Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>As at 1 January 2021</b>		-	2,098		805	-	-	75	(
Loss for the year		-	-	-	-	-	-	-	(
Other comprehensive loss		-	-	-	-	-	-	(82)	-
<b>Total comprehensive loss</b>		-	-	-	-	-	-	(82)	(
Transfer to reverse acquisition reserve	6.c	-	(2,098)	-	-	-	2,098	-	-
Recognition of plc equity at acquisition date	6.c	735	592	-	-	-	434	-	-
Acquisition of a subsidiary	6.c	5,769	-	9,231	-	-	(15,000)	-	-
Issue of shares in settlement of fees		15	25	-	-	-	-	-	-

Issue of shares in settlement of fees									
Issue of share capital	27	2,600	4,775	-	-	-	-	-	-
Shares to be issued	27	-	-	-	-	2,500	(2,500)	-	-
Cost of share issue	-	-	(634)	-	-	-	-	-	-
Exercise of options	28	4	-	-	(820)	-	-	-	8
Exercise of warrants	28	126	411	-	-	-	-	-	-
Issue of warrants	28	-	-	-	113	-	-	-	-
Share-based payments	28	-	-	-	660	-	-	-	-
<b>As at 31 December 2021</b>		<b>9,249</b>	<b>5,169</b>	<b>9,231</b>	<b>758</b>	<b>2,500</b>	<b>(14,968)</b>	<b>(7)</b>	<b>(</b>
Loss for the year	-	-	-	-	-	-	-	-	(
Other comprehensive income	-	-	-	-	-	-	-	21	-
<b>Total comprehensive loss</b>		-	-	-	-	-	-	<b>21</b>	<b>(</b>
Acquisition of a subsidiary	6.a	533	-	2,162	-	7,976	-	-	-
Issue of share capital	27	703	1,434	-	-	-	-	-	-
Exercise of options	28	7	5	-	(10)	-	-	-	1
Exercise of warrants	28	81	242	-	-	-	-	-	-
Share-based payments	28	-	-	-	967	-	-	-	-
<b>As at 31 December 2022</b>		<b>10,573</b>	<b>6,850</b>	<b>11,393</b>	<b>1,715</b>	<b>10,476</b>	<b>(14,968)</b>	<b>14</b>	<b></b>

The notes to the financial statements form an integral part of these financial statements.

#### Company's Statement of Changes in Equity

		Share capital	Share premium account	Merger reserve	Shares based payments reserve	Shares to be issued reserve	Co-loa:re
	Note	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
<b>As at 1 January 2021</b>		<b>735</b>	<b>592</b>	-	<b>33</b>	-	<b>16</b>
Total comprehensive loss	-	-	-	-	-	-	-
Acquisition of a subsidiary	6.c	83	79	-	-	-	(16)
Issue of shares in settlement of fees		15	25	-	-	-	-
Issue of share capital	27	5,769	-	9,231	-	-	-
Shares to be issued	6.c	-	-	-	-	2,500	-
Cost of share issue	-	-	(634)	-	-	-	-
Exercise of options	28	2,455	4,634	-	-	-	-
Exercise of warrants	28	192	473	-	(41)	-	-
Issue of warrants	28	-	-	-	113	-	-
Share-based payments	28	-	-	-	645	-	-
<b>As at 31 December 2021</b>		<b>9,249</b>	<b>5,169</b>	<b>9,231</b>	<b>750</b>	<b>2,500</b>	<b>-</b>
Total comprehensive loss	-	-	-	-	-	-	-
Acquisition of a subsidiary	6.a	533	2,162	2,162	-	7,976	-
Issue of share capital	27	703	1,434	-	-	-	-
Exercise of options	28	7	5	-	(10)	-	-
Exercise of warrants	28	81	242	-	-	-	-
Share-based payments	28	-	-	-	975	-	-
<b>As at 31 December 2022</b>		<b>10,573</b>	<b>6,850</b>	<b>11,393</b>	<b>1,715</b>	<b>10,476</b>	<b>-</b>

The notes to the financial statements form an integral part of these financial statements.

#### Consolidated Statement of Cash Flows

For the year ended 31 December		2022	2021
	Note	£ 000	£ 000
<b>Operating activities</b>			
Loss before tax		(6,870)	(4,551)
Adjustments to reconcile profit before tax to net cash flows:			
Reverse acquisition share-based payment expense	13,6.c	-	1,172

<b>Net impairment (reverse) losses on financial assets</b>	<b>24</b>	<b>(59)</b>	<b>598</b>
Share-based payment expense	28	967	660
Depreciation of property, plant and equipment and right-of-use assets	18,31	69	7
Amortisation of intangible assets and impairment of goodwill	17	1,109	-
Impairment charge on receivables	22	3	-
Loss on current financial asset	13,20	259	-
Net finance expenses		56	13
<b>Working capital changes:</b>			
Change in trade receivables		(3)	(10)
Change in other receivables		155	(194)
Change in inventories		(18)	(35)
Change in trade payables		92	6
Change in other payables		677	256
Change in long-term deposit		(31)	-
		(3,727)	(2,078)
Interest paid		(52)	-
<b>Net cash flows used in operating activities</b>		<b>(3,779)</b>	<b>(2,078)</b>
<b>Investing activities</b>			
Purchase of property, plant, and equipment	18	(68)	(35)
Purchase of financial asset	20	-	(750)
Acquisition of a subsidiary, net of cash acquired	6	235	358
Investment in short term deposits		(4)	(2)
Development expenditures	17	(86)	-
<b>Net cash flows from/ (used in) investing activities</b>		<b>77</b>	<b>(429)</b>
<b>Financing activities</b>			
Share issue net of issuing cost	27	2,137	6,608
Proceeds from exercise of warrants	27	323	529
Proceeds from exercise of share options	27	12	102
Receipts of long-term loans	29	68	-
Repayment of borrowings		-	(582)
Repayment of lease liability	31	(37)	-
Repayment of borrowings	29	(100)	-
<b>Net cash flows from financing activities</b>		<b>2,403</b>	<b>6,657</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(1,299)</b>	<b>4,150</b>
Net foreign exchange difference		26	(53)
Cash and cash equivalents at 1 January		4,477	380
<b>Cash and cash equivalents at 31 December</b>	<b>26</b>	<b>3,204</b>	<b>4,477</b>

The notes to the financial statements form an integral part of these financial statements.

#### Company's Statement of Cash Flows

<b>For the year ended 31 December</b>		<b>2022</b>	<b>2021</b>
	<b>Note</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Operating activities</b>			
Loss before tax		(5,976)	(*) (5,584)
Adjustments to reconcile profit before tax to net cash flows:			
Net impairment (reverse) losses on financial assets	24	(59)	598
Share-based payment expense	28	205	193
Depreciation of property, plant, and equipment	18	4	2
Impairment charge on receivables	22	3	-
Loss on current financial asset	13,20	259	-
Net finance (expenses) income		54	(57)
Share of loss of an associate	19	2,371	(*) 3,275
<b>Working capital changes:</b>			
Change in trade receivables		(28)	(10)
Change in other receivables		141	(200)
Change in inventories		(18)	(63)
Change in trade payables		55	9
Change in other payables		756	110
Change in intercompany receivables		(3,509)	(368)

<b>Net cash flows used in operating activities</b>		<b>(5,742)</b>	<b>(2,095)</b>
<b>Investing activities</b>			
Purchase of property, plant, and equipment	18	-	(23)
Purchase of financial asset	20	-	(750)
<b>Net cash flows used in investing activities</b>			<b>(773)</b>
<b>Financing activities</b>			
Share issue net of issuing cost	27	2,137	6,608
Proceeds from exercise of warrants	27	323	529
Proceeds from exercise of share options	27	12	102
Repayment of borrowings		-	(582)
Receipts of short-term loans	29	59	-
<b>Net cash flows from financing activities</b>		<b>2,531</b>	<b>6,657</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(3,211)</b>	<b>3,789</b>
<b>Cash and cash equivalents at 1 January</b>		<b>4,148</b>	<b>359</b>
<b>Cash and cash equivalents at 31 December</b>	<b>26</b>	<b>937</b>	<b>4,148</b>

(\*) Reclassification of the share of loss Kanabo research Ltd.

The notes to the financial statements form an integral part of these financial statements.

## Notes to the Financial Statements

### 1. Corporate information

The consolidated financial statements of Kanabo Group Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the Directors on 27 April 2023.

Kanabo Group Plc (the Company or the parent) is a limited company incorporated and domiciled in England and whose shares are publicly traded on the London Stock Exchange in the standard segment. The registered office is located at Churchill House 137-139 Brent Street London NW4 4DJ, United Kingdom.

The Group's principal activities are the distribution and development of cannabis derived medical and wellness products.

### 2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

#### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and those parts of the Companies Act 2006 applicable to companies reporting IFRS, except as otherwise stated.

The consolidated financial statements are prepared under the historical cost convention with the exception of certain investments which are carried at fair value.

The consolidated financial statements are presented in GBP (£) and all values are rounded to the nearest thousand (£000), except when otherwise indicated.

#### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

### 2. Significant accounting policies (cont.)

#### 2.2 Basis of consolidation (cont.)

Generally, there is a presumption that a majority of voting rights results in control. To support this

presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### **2.3 Going concern**

The preparation of the financial statements requires an assessment on the validity of the going concern assumption.

The Directors are required to satisfy themselves that it is reasonable for them to conclude whether it is appropriate to prepare the financial statements on a going concern basis, and as part of that process they have followed the Financial Reporting Council's guidelines ("Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risk" issued April 2016).

As at 31 December 2022, the Group's cash position was £3,204 thousands and it was in a strong net current asset position. Based on the above, the Group's current cash reserves and detailed cash forecasts produced, the Directors are confident that the Group will be able to meet its obligations as they fall due over the course of the next 12 months. Whilst the Group may seek to raise further funds in the next 12 months, the Directors are confident that the Group would be able to meet their obligations as they fall due in the event of no further funding being obtained due to the low level of committed expenditure relative to the forecasted discretionary expenditure, which could be reduced or deferred.

## **2. Significant accounting policies (cont.)**

### **2.3 Going concern (cont.)**

The impact of the risk factors such as high interest rates and high inflation, declining consumer power, Russia's invasion of Ukraine, and supply chain disruptions had a little effect on the business of the Group during 2022 following that the Directors do not believe that these risks will have a significantly adverse impact on the Group in the foreseeable future.

### **2.4 Estimates and assumptions**

#### **Significant accounting estimations**

The Group's consolidated financial statements includes the use of estimates and assumptions. The significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1 are:

- Depreciation of PPE and amortisation of intangible assets

The directors are required to review the estimated useful of PPE and amortisation periods of intangible assets. Were useful lives and amortisation periods to be shorter, or were there impairments of PPE or intangible assets, this would cause an acceleration in depreciation and amortisation charges in future periods. See note 17 for further information.

#### **Other areas of judgement and accounting estimates**

While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are:

- Share-based payments

In respect of service conditions, the company is required to assess how many share options will

eventually vest. As this estimation changes over time this may require a re-estimation of share-based payment charges reflected in profit or loss. The cumulative charge will reflect the amount of share options that ultimately vest. See note 28 for more details including the company's approach to valuing share options and the inputs to the valuations model.

- Impairments of financial and non-financial assets

See disclosures in note 2.5.o.

## 2. Significant accounting policies (*cont.*)

### 2.5 Summary of significant accounting policies

#### a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

## 3. Significant accounting policies (*cont.*)

### 2.5 Summary of significant accounting policies (*cont.*)

#### a) Business combinations and goodwill (*cont.*)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### b) Reverse takeover accounting

On 16 February 2021, the Company acquired Kanabo Research Ltd via a reverse takeover which resulted in the Company becoming the ultimate holding company of the Group. The transaction was accounted for as a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In accordance with IFRS 2, a share-based payment expense equal to the deemed cost of the acquisition less the fair value of the net assets of the Company at acquisition was recognised.

When considering how the acquisition of Kanabo Research Ltd via a reverse takeover should be accounted for, the Directors have been required to make a judgment on whether the acquisition falls within the scope

of IFRS 3 or not. The Directors assessed the accounting acquiree, Kanabo Group Plc, at the time of acquisition to not be a business as defined by IFRS 3. As a result, the acquisition was assessed as falling outside the scope of IFRS 3. See note 6.c.

## 2. Significant accounting policies (*cont.*)

### 2.5 Summary of significant accounting policies (*cont.*)

#### c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 2. Significant accounting policies (*cont.*)

### 2.5 Summary of significant accounting policies (*cont.*)

#### d) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities measured at fair value or for which fair value is disclosed are categorised into levels within the fair value hierarchy based on the lowest level input that is significant to the entire fair value measurement:

Level 1	- quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	- inputs other than quoted prices included within Level 1 that are observable directly or indirectly.
Level 3	- inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

On 21 February 2022, the Company acquired 100% of the voting rights of GP Service (UK) Limited ("GPS") a non-listed company based in UK. The acquisition price was determined based on the closing bid prices which are level 1 fair value measurements.

## 2. Significant accounting policies (*cont.*)

### 2.5 Summary of significant accounting policies (*cont.*)

**e) Revenue from contracts with customers**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

In determining the amount of revenue from contracts with customers, the Company evaluates whether it is a principal or an agent in the arrangement. The Company is a principal when the Company controls the promised goods or services before transferring them to the customer. In these circumstances, the Company recognises revenue for the gross amount of the consideration. When the Company is an agent, it recognises revenue for the net amount of the consideration, after deducting the amount due to the principal.

Revenue from the sale of goods:

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue from selling agreements is recognised when the revenue recognition criteria have been met and only to the extent the consideration is not contingent upon other deliverables in the agreements.

Revenue from consultations:

The Group is providing online medical services. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. Revenue is recognised at a point in time (i.e., upon receipt of the customer of the equipment) because this is when the customer benefits from the Group's consultation services.

**2. Significant accounting policies (cont.)**

**2.5 Summary of significant accounting policies (cont.)**

**f) Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

**g) Taxes**

**Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates (England's statutory income tax rate of 19% and Israel: 23%) and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised in full using the balance sheet liability method on temporary differences except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

**2. Significant accounting policies (cont.)**

## 2.5 Summary of significant accounting policies (cont.)

### g) Taxes (cont.)

#### Deferred tax (cont.)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

## 2. Significant accounting policies (cont.)

### 2.5 Summary of significant accounting policies (cont.)

### g) Taxes (cont.)

#### Deferred tax (cont.)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### h) Foreign currencies

The Group's consolidated financial statements are presented in British Pound (£). For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

#### (i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI, or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

## 2. Significant accounting policies (cont.)

### 2.5 Summary of significant accounting policies (cont.)

#### h) Foreign currencies (cont.)

##### (ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into British Pound (£) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions or average for the required period. The exchange differences arising on translation for consolidation are recognised in OCI and recognised in a separate reserve - foreign currency translation reserve.. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

##### (iii) Financial Risk Management Objectives and Policies

The Company does not enter into any forward exchange rate contracts.

The main financial risks arising from the Company's activities are market risk, interest rate risk, foreign exchange risk, credit risk, liquidity risk and capital risk management. Further details on the risk disclosures can be found in note 32.

## 2. Significant accounting policies (cont.)

### 2.5 Summary of significant accounting policies (cont.)

#### i) Property, plant, and equipment

Property, plant, and equipment are measured at cost, including directly attributable costs, less accumulated depreciation, accumulated impairment losses and excluding day-to-day servicing expenses. Cost includes spare parts and auxiliary equipment that are used in connection with plant and equipment.

The cost of an item of property, plant and equipment comprises the initial estimate of the costs of dismantling and removing the item and restoring the site on which the item is located.

Depreciation is estimated to write off the cost of assets to their residual value on straight line basis over the estimated useful lives of the assets as follows:

	%
Leasehold improvements	15%
Equipment and furnishing	15%
Computers and electronic equipment	15%-33%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### j) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

## **Right-of-use assets**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **j) Leases (cont.)**

##### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in Interest-bearing loans and borrowings.

#### **k) Financial assets at fair value through profit and loss**

Financial assets are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Financial assets are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **l) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

All intangible assets are derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

#### **Research and development costs**

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability and intention to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **m) Financial Assets**

##### **Classification**

The Group classifies its financial assets in the following categories: at amortised cost (including trade receivables and other financial assets at amortised cost) fair value through other comprehensive income or fair value through profit or loss. The classification depends on the financial asset's contractual cash flow characteristics and the business model for managing them. Management determines the classification of its financial assets at initial recognition.

##### **Financial assets at amortised cost**

###### **(i) Classification of financial assets at amortised cost**

The Company classifies its 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 the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are initially measured at fair value and subsequently measured using the effective interest rate method less impairment.

###### **(ii) Impairment and risk exposure**

All of the financial assets at amortised cost are denominated in Pounds Sterling. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk.

For the Directors' justification for there being no expected credit loss charge required in respect of the loan due from Materia and the amounts due from the subsidiary, note 24.

There is no definition of default at present. This will be reassessed as and when repayments are due in respect of financial assets at amortised cost held.

#### **n) Inventories**

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a first-in/first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in OCI, in respect of the purchases of raw materials. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **o) Impairment of non-financial assets**

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill and intangible assets are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

#### **Depreciation of PPE and amortisation of intangible assets**

The directors are required to review the estimated useful of PPE and amortisation periods of intangible assets. Were useful lives and amortisation periods to be shorter, or were there impairments of PPE or intangible assets, this would cause an acceleration in depreciation and amortisation charges in future periods. See notes 6.a and 17 for further information

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **o) Impairment of non-financial assets (cont.)**

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase manufacturing costs. These risks in relation to climate related matters are included as key assumptions where they materially impact the measure of recoverable amount, these assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts.

#### **Recoverability of the investment in subsidiary (note 19)**

As at 31 December 2022 the carrying value of the Company's investment in Kanabo Research Ltd was £14,142 thousands (2021: £17,951 thousands). The recoverable value of this investment is not considered to be less than its 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 year and since the year-end. The key inputs within the forecast include revenue growth, gross profit margins and overheads.

#### **Recoverability of amounts due from the subsidiary (note 25)**

By 31 December 2022 the parent Company had advanced £506 thousands (including interest) as a loan to Kanabo Research Ltd and £2,686 thousands as an ongoing operational balance. The Directors expect this balance to be fully recoverable and have thus not recognised any IFRS 9 expected credit loss charges. They made this assessment through reviewing forecasts, other financial information available and developments during the year and since the year-end. The Board asset the loan on individual basis to examine impairment.

By 31 December 2022 the parent Company had advanced £1,097 thousands (including interest) as a loan to

GPS. The Directors expect this balance to be fully recoverable and have thus not recognised any IFRS 9 expected credit loss charges. They made this assessment through reviewing forecasts, other financial information available and developments during the year and since the year-end. The Board asset the loan on individual basis to examine impairment.

#### **Recoverability of amounts due from Materia (note 24)**

By 31 December 2022 the Group had advanced CAD 1,000 thousand (£582 thousands) to Materia Ventures ("Materia"), a company incorporated in Canada.

When assessing whether the loan receivable and accrued interest is recoverable or not, the Directors identified a number of impairment indicators. Whilst no repayments of the loan are due, or yet to have been received and whilst through communications with Materia the Directors understand Materia is willing to repay the balance, there is not sufficient evidence to demonstrate that it is probable that Materia can make full repayment of the balance. The Directors have therefore taken a prudent view and decided to fully impair the loan, however, the Company and Materia will continue to discuss their future collaboration and a strategic partnership through which the Company hope to recover the loan balance.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **p) Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### **q) Provisions**

A provision in accordance with IAS 37 is recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects part or all of the expense to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense is recognised in the statement of profit or loss net of any reimbursement.

#### **r) Trade and other payables**

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

#### **s) Share-based payments**

Employees (including Directors senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

## **2. Significant accounting policies (cont.)**

### **2.5 Summary of significant accounting policies (cont.)**

#### **s) Share-based payments (cont.)**

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the

transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The fair value is measured by use of the Black-Scholes model as the Directors view this as providing the most reliable measure of valuation. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The market price used in the model is the issue price of Company shares at the last placement of shares immediately preceding the calculation date. The fair value calculated is inherently subjective and uncertain due to the assumptions made and the limitations of the calculation used.

**t) Equity**

Equity instruments issued by the Company are recorded at the value of net proceeds after direct issue costs.

**u) Shares to be issued**

Obligations which are to be settled via the issue of the Company's shares at the year-end which meet the definition of equity per IAS 32 are classified as shares to be issued within equity and are held at fair value.

**3. Significant accounting policies (cont.)**

**2.5 Summary of significant accounting policies (cont.)**

**v) Employee benefits**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Leave obligations are calculated by multiplying the average days of outstanding leave at the period end by the daily salary rate of the employee concerned. The liabilities are presented as current employee benefit obligations in the balance sheet.

**Other long-term employee benefit obligations**

There are no other long-term employee benefit obligations.

**Post-employment obligations**

The Group operates one post-employment scheme, a defined contribution pension plan available to all employees. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**Share-based payments**

Share-based compensation benefits are provided to employees via the Group Employee Option Plan, an employee share scheme, the executive short term incentive scheme and share appreciation rights. Information relating to these schemes is set out in note 28.

**Employee options**

The fair value of options granted under the Group Employee Option Plan is recognised as an employee benefit expense, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

2. Significant accounting policies (cont.)

2.5 Summary of significant accounting policies (cont.)

w) Employee benefits (cont.)

**Employee options (cont.)**

The Employee Option Plan is accounted for as detailed in note 28. When the options are exercised, the appropriate amount of shares are transferred to the employee. The proceeds received, net of any directly attributable transaction costs, are credited directly to equity.

**Bonus plans**

Where contractually obliged or where there is a past practice that has created a constructive obligation to give staff bonuses, the Group recognises a liability and an expense for bonuses based on a formula that takes into consideration certain financial and operational objectives.

3. Segment information

Following the acquisition of The GP Service (UK) Limited ("GPS") (see note 6.a), For management purposes, the Group is organised into business units based on its products and services and has three reportable segments, as follows:

- Primary Care - Tele pharma services provided by GPS.
- Secondary Care - Development and distribution of cannabis derived medical and wellness products.

No operating segments have been aggregated to form the above reportable operating segments.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Also, the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

3. Segment information (cont.)

Year ended 31 December 2022:

	Primary care	Secondary care	Total segments	Adjustments and eliminations	Consolidated
	£ 000	£ 000	£ 000	£ 000	£ 000
<b>Revenue</b>					
External customers	505	98	603	-	603
Inter-segment	-	-	-	-	-
<b>Total revenue</b>	<b>505</b>	<b>98</b>	<b>603</b>	-	<b>603</b>
<b>Expenses</b>					
Cost of sales	(349)	(55)	(404)	-	(404)
Depreciation and amortisation	(90)	(955)	(1,045)	-	(1,045)
<b>Segment loss</b>	<b>(1,185)</b>	<b>(5,685)</b>	<b>(6,870)</b>	-	<b>(6,870)</b>
<b>Total assets</b>	<b>496</b>	<b>13,956</b>	<b>14,452</b>	-	<b>14,452</b>
<b>Total liabilities</b>	<b>609</b>	<b>1,398</b>	<b>2,007</b>	-	<b>2,007</b>

The Group's operation does not include any reconciling items.

Geographical location:

	Primary care	Secondary care	Total segments
	£ 000	£ 000	£ 000
<b>Assets</b>			
United Kingdom	496	11,558	12,054
Israel	-	2,398	2,398

<b>Total assets</b>	<b>496</b>	<b>13,956</b>	<b>14,452</b>
<b>Liabilities</b>			
United Kingdom	609	987	1,596
Israel	-	411	411
<b>Total liabilities</b>	<b>609</b>	<b>1,398</b>	<b>2,007</b>

#### 4. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash, and short-term deposits.

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest-bearing loan and borrowings (note 29)	198	-
Trade payables	153	42
Other payables (note 30)	1,147	373
Less: cash and short-term deposits	(3,228)	(4,497)
<b>Net asset</b>	<b>(1,730)</b>	<b>(4,082)</b>
<b>Total equity</b>	<b>12,445</b>	<b>5,184</b>
<b>Gearing ratio</b>	<b>-14%</b>	<b>-79%</b>

There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies, or processes for managing capital during the years ended 31 December 2022 and 2021.

#### 5. Group information

The consolidated financial statements of the Group include:

<b>Name</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>% equity interest</b>	
			<b>2022</b>	<b>2021</b>
Kanabo Research Ltd.	R&D	Israel	100	100
Kanabo Agritec Ltd.	Consulting	Israel	40	-
The GP Service (UK) Limited	Telemedicine	UK	100	-
Kanabo GP Limited	Holding company	UK	100	-

(\*) The Company holds 40% of the equity in Kanabo Agritec Ltd. but consolidates 100% of this entity. See note 6.b for details on interest held in Kanabo Agritec Ltd.

#### 6. Business combinations and acquisition of non-controlling interests

##### (a) Acquisition of The GP Service (UK) Limited

On 21 February 2022, the Company acquired 100% of the voting rights of GP Service (UK) Limited ("GPS") a non-listed company based in UK and specialising in care telemedicine provider in exchange for a net consideration of £13,499 thousands ("Net Consideration") with a fair value of £10,671 thousands. The Net Consideration was satisfied by the allotment of 94,133,645 B ordinary shares of 0.00001 pence each in the capital of Kanabo GP Limited, a subsidiary of Kanabo Group Plc, at a price of 12.65 pence per share ("Consideration Shares"). It has been agreed as part of the acquisition that the principal and interest owed as at completion by GPS to MEIF WM Debt LP (£1,591 thousands) will be repayable by the Company by the allotment of 12,574,931 ordinary shares within 18 months based on the same price of £0.1265 per share.

The Group's acquisition of the GPS will facilitate the rapid growth of its existing digital and telemedicine business and will establish a new and fully compliant channel to market for THE Group's products for medical patients. Through improved access to these products, the Group hopes to make a substantial contribution to improving outcomes for thousands of patients in the UK and Europe.

As of the signature date of the report, total amount of 85,406,117 shares have not yet been issued and the contingent consideration has been included in the "shares to issued" reserve within equity.

The fair values of the identifiable assets and liabilities of GPS as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
	<b>£000</b>
<b>Assets</b>	
Property, plant, and equipment	11
Intangible assets	116
Cash and cash equivalents	235
Trade receivables	33
Other receivables	74
	<b>469</b>
<b>Liabilities</b>	
Interest-bearing loan	(500)
Trade payables	(19)
Other payables	(97)
	<b>(616)</b>
<b>Total identifiable net liabilities at fair value</b>	<b>(147)</b>
Other intangible assets arising on acquisition	6,763
Goodwill arising on acquisition	4,055
<b>Fair value of purchase consideration transferred</b>	<b>10,671</b>

## 6. Business combinations and acquisition of non-controlling interests (cont.)

### (a) Acquisition of The GP Service (UK) Limited (cont.)

Other intangible assets arising on acquisition include the technology which was acquired through business combinations. The management assessment the lifetime of these assets for a minimum of 7 years and as a result recorded amortisations expenses in the amount of £891 thousands.

As agreed between the parties, the net liabilities recognised on the acquisition date were based on GPS results as of 31 January 2022, starting 1 February 2022 the results of GPS are being consolidated in the Group's financial statements.

The revenue of GPS and net loss for the period since acquisition were £505 thousands and £1,185 thousands respectively.

### (b) Investment in an associate

In March 2022, Kanabo Research Ltd ("KNR") (a wholly owned subsidiary of the Company) and a third-party partner formed an entity, Kanabo Agritec Ltd. ("Agritec"), to enter into agreements with third parties at minimal cost to leverage the Company's Intellectual Property for the cultivation, processing, and production of cannabis products. KNR holds 40% of the voting shares in this entity. The third-party hold the remaining 60% of the voting shares. KNR committed to finance Agritec up to an amount equal to 75% of the principal amount requested by Agritec, the other Founders, together, will lend up to the remaining 25% of the principal amount in equal portions among them. As of the reporting period KNR loaned Agritec total amount of ILS 100 thousand (£24 thousands).

Under the contractual arrangement with the third-party partners, KNR has a majority representation on the entity's board of Directors and the KNR's approval is required for all major operational decisions, the KNR assessed that the voting rights in Agritec are not the dominant factor in deciding who controls the entity. Therefore, KNR concluded Agritec is a structured entity under IFRS 10 Consolidated Financial Statements and that KNR controls it with non-controlling interests. Therefore, Agritec is consolidated in the Group's consolidated financial statements. The shares of the third-party partner are recorded under the equity as non-controlling interests and the return on investment is recorded as non-controlling interests under the profit and loss.

### (c) Reverse acquisition

On 16 February 2021, the Company formerly known as Spinnaker Opportunities Plc, acquired through a share for share exchange the entire share capital of Kanabo Research Ltd ("KNR"), whose principal activity is the provision of THC-Free retail CBD products and Vaporization devices.

Although the transaction resulted in KNR becoming a wholly owned subsidiary of the Company, the transaction constituted a reverse acquisition, as the previous shareholders of KNR own a substantial majority of the Ordinary Shares of the Company and the executive management of KNR became the executive management of Kanabo Group Plc.

In substance, the shareholders of KNR acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of the LSE Listing, acquiring KNR and raising equity finance to provide the required funding for the operation of the acquisition, it did not meet the definition of a business in accordance with IFRS 3.

**b. Business combinations and acquisition of non-controlling interests (cont.)**

**(c) Reverse acquisition (cont.)**

Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 "Share-based Payments" and associated IFRIC guidance. Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these financial statements using the reverse acquisition methodology, but with the result that rather than recognising goodwill, the difference between the equity value given up by KNR's shareholders and the share of the fair value of net assets gained by these shareholders, is charged to the consolidated statement of comprehensive income as a share-based payment on reverse acquisition and represents in substance the cost of acquiring an LSE listing.

On 16 February 2021, the Company issued 230,769,231 ordinary shares to acquire the 237,261 ordinary shares of KNR based on a share price of £0.065 (the price at which those shares issued as part of the placing that day were issued at), the Company's investment in KNR is valued at £15,000 thousands prior to the consideration of contingent consideration and share based payments charges for the year recognised in the subsidiary - see note 2 for further commentary regarding this component of the carrying value of the investment in the subsidiary as at 31 December 2022.

On 16 November 2021, the Company achieved two of its deferred consideration share milestones under the terms of the share purchase agreement. The achievement entitles the sellers to 38,461,492 deferred consideration shares with a total value of £2,500 thousands which increases the total investment to £17,500 thousands. The Company had not issued the shares as at 31 December 2022 and as this obligation met the 'fixed for fixed' rule under IAS 32, the contingent consideration has been included in the "shares to issued" reserve within equity.

Because the legal subsidiary, KNR, was treated on consolidation as the accounting acquirer and the legal Parent Company, Kanabo Group Plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by KNR was calculated at £1,911 thousands based on an assessment of the purchase consideration for a 100% holding of Kanabo Group Plc

According to the IFRS 2 the value of the share-based payment is calculated as the difference between the deemed cost and the fair value of the net assets as at the acquisition date. During the period between 1 January 2021 to 16 February 2021 several shareholders exercised their warrants. The exercised warrants indicated that in the event the RTO acquisition would not be completed the funds would be returned to the shareholders. For that reason, it was decided that it would be more appropriate to use the Company's value of the net assets as of 1 January 2021.

	£ 000
Deemed cost	1,911
Trade and other receivables	434
Cash and cash equivalents	359
Trade and other payables	(54)
Total identifiable net liabilities at fair value	739
<b>Total RTO expenses</b>	<b>1,172</b>

**6. Business combinations and acquisition of non-controlling interests (cont.)**

**(c) Reverse acquisition (cont.)**

The difference between the deemed cost (£1,911 thousands) and the fair value of the net assets assumed per above of £739 thousands resulted in £1,172 thousands being expensed within "reverse acquisition expenses" in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to KNR's shareholders of acquiring a quoted entity.

The reverse acquisition reserve which arose from the reverse takeover is made up as follows:

	£ 000
Pre-acquisition equity (a)	(739)
Kanabo Research Ltd share capital at acquisition (b)	2,099
Investment in Kanabo Research Ltd (c)	(17,500)
Reverse acquisition expense (d)	1,172
<b>Total</b>	<b>(14,968)</b>

- (a) Recognition of pre-acquisition equity of Kanabo Group Plc as at 1 January 2021.
- (b) KNR had issued share capital of £2,099 thousands. As these financial statements present the capital structure of the legal parent entity, the equity of KNR is eliminated.
- (c) The value of the shares issued by the Company in exchange for the entire share capital of KNR, the entry is required to eliminate the balance sheet impact of this transaction.
- (d) The shares to be issued to the vendors upon the meeting of two of the agreed milestones had not been

issued as at 31 December 2022. Since the obligation in question is to be settled by the Company through an issue of a fixed number of shares for a fixed consideration, this obligation has been treated as an equity instrument and has been included within equity under the "shares to be issued reserve".

**7. Revenues**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Services	505	-
Sale of products	98	73
<b>Total</b>	<b>603</b>	<b>73</b>

During 2022 and 2021 the revenues were generated only from the sale of products (sale of CBD and THC products) and services (primary care) and were made to customers in the United Kingdom. All revenues were recognised at a point in time.

**8. Cost of sales**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Salaries and related expenses	317	-
Share-based payment expense	13	-
Cost of sales	48	55
Depreciation	-	2
IT Development and licenses	12	1
Impairment changes on receivables	3	-
Other	11	8
<b>Total</b>	<b>404</b>	<b>66</b>

**9. Research and development expenses**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Salaries and related expenses	293	163
Share-based payment expense	68	6
IT development	181	-
Lab expenses	-	9
Rent and related expenses	39	36
Professional services	2	26
Other	14	2
<b>Total</b>	<b>597</b>	<b>242</b>

The GPS capitalise research and development expenses incurred during 2022 as Management have taken the prudent view that it is probable that the technology and products upon which the research and development expenditure related to will bring in future economic benefits to the Group.

**10. Sales and marketing expenses**

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Salaries and related expenses	403	144
Share-based payment expense	349	218
Subcontractors	60	14
Marketing expenses	364	129
Professional services	-	31
Conferences	14	12
Business development	-	16
Other	-	5
<b>Total</b>	<b>1,190</b>	<b>569</b>

**11. General and administration expenses**

	2022	2021
	£ 000	£ 000
Salaries and related expenses	778	676
Share-based payment expense	537	436
Insurance	82	100
Professional services	1,005	599
Rent and related expenses (*)	81	52
Depreciation	69	7
Amortisation (note 17)	975	-
IT Development and licenses	45	12
Travel and accommodation	128	54
Patent	-	13
Other	104	51
<b>Total</b>	<b>3,804</b>	<b>2,000</b>

(\*) Rent and related expenses refer to expenses which are out of the scope of IFRS 16, see note 31.

#### 12. Auditor's remuneration

During the reporting period, the Company incurred the following costs in respect of services provided by the current and previous auditor:

	2022	2021
	£ 000	£ 000
<b>Fees payable to the Company's auditor for:</b>		
- The audit of parent company and consolidated financial statements	155 (a)	43 (c)
- Due diligence services in respect of acquisition targets	-	15 (c)
- Interim review of the Group for the six-month period ended 30 June 2022 and 30 June 2021 in accordance with ISRE 2410	8 (b)	15 (c)

- (a) The services for audit in 2022 were provided by MHA MacIntyre Hudson.
- (b) The services for interim review in 2022 were provided by Jeffreys Henry LLP.
- (c) The services for audit and interim review in 2021 were provided by PKF Littlejohn LLP.

#### 13. Other operating expenses

	2022	2021
	£ 000	£ 000
Acquisition and listing costs	1,189	-
Reverse acquisition expenses (note 6.c)	-	1,172
Loss on current financial asset (note 20)	259	-
<b>Total</b>	<b>1,448</b>	<b>1,172</b>

Other expenses comprise acquisition-related transaction costs which were expensed as incurred and included (note 6.a) as other expenses and expenses generated from the preparations of the Group's prospectus.

#### 14. Net finance expenses (income)

	2022	2021
	£ 000	£ 000
<b>Finance income</b>		
Interest on loans to related parties	-	(15)
	-	(15)
<b>Finance costs</b>		
Bank charges	15	4
Interest on interest bearing loans	32	-
Interest on finance lease (note 31)	24	-
	<b>71</b>	<b>4</b>

<b>Net foreign exchange (gain) losses</b>	18	(12)
<b>Net finance (income) expenses recognised in profit or loss</b>	<b>89</b>	<b>(23)</b>

**15. Income tax**

**a. Analysis of charge in the year**

Reconciliation of tax expense and the accounting profit multiplied by United Kingdom's domestic tax rate for 2022 and 2021:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Accounting loss before income tax	(6,870)	(4,551)
At England's statutory income tax rate of 19% (2021: 19%)	(1,305)	(865)
<u>Non-deductible expenses for tax purposes:</u>		
Non-deductible expenses	(11)	336
Amortisation of intangible assets	169	-
Effect of higher tax rates in Israel	(47)	(43)
Current year losses for which no deferred tax asset is recognised	1,194	572
<b>Income tax benefits reported in the statement of profit or loss</b>	<b>-</b>	<b>-</b>

**15. Income tax (cont.)**

**b. Reconciliation of deferred tax liabilities, net**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>As at 1 January</b>	-	-	-	-
Deferred taxes acquired in business combinations (note 6.a)	1,651	-	-	-
Deferred tax asset on losses recognised due to offset of liability under IAS 12	(1,651)		-	-
<b>As at 31 December</b>	-	-	-	-

The Group has accumulated tax losses of approximately £10,099 thousands (2021: £4,646 thousands) that are available, under current legislation, to be carried forward indefinitely against future profits.

A deferred tax asset has not been recognised in respect of these losses of the Company due to the uncertainty of future profits. The amount of the deferred tax asset not recognised is approximately £2,448 thousands (2021: £715 thousands).

**16. Earnings per share (EPS)**

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	<b>2022</b>	<b>2021</b>
Loss attributable to ordinary equity holders of the parent (£000)	(6,870)	(4,551)
Weighted average number of ordinary shares for basic EPS	415,187,814	324,287,001
<b>Basic and diluted loss per share (pence per share)</b>	<b>(1.65)</b>	<b>(1.40)</b>

There is no difference between the basic and diluted earnings per share as a loss has been made in the year.

**17. Intangible assets and goodwill**

Group:

	<b>Development assets</b>	<b>Intangible assets</b>	<b>Goodwill</b>	<b>Total</b>

	<b>costs</b>	<b>asset</b>		
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
<b>Cost</b>				
<b>At 1 January 2022</b>	-	-	-	-
Additions - internally developed	85	-	-	85
Acquisition of a subsidiary (note 6.a)	1,352	6,764	5,959	14,075
Deduction against deferred tax asset on losses recognised due to offset of liability under IAS 12	-	-	(1,904)	(1,904)
<b>At 31 December 2022</b>	<b>1,437</b>	<b>6,764</b>	<b>4,055</b>	<b>12,256</b>
<b>Amortisation and impairment</b>				
<b>At 1 January 2022</b>	-	-	-	-
Amortisation	85	891	-	976
Acquisition of a subsidiary (note 6.a)	1,236	-	-	1,236
<b>At 31 December 2022</b>	<b>1,321</b>	<b>891</b>	<b>-</b>	<b>2,212</b>
<b>Net book value</b>				
<i>At 31 December 2022</i>	<i>116</i>	<i>5,873</i>	<i>4,055</i>	<i>10,044</i>
<i>At 31 December 2021</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

## 17. Intangible assets and goodwill (cont.)

### Acquisition during the year

Intangible asset arising on acquisition include the technology which was acquired through business combinations. The management assessment the lifetime of this asset for a minimum of seven (7) years and as a result recorded amortisations expenses in the amount of £891 thousands.

### Impairment review disclosures

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to business segment. The carrying amounts of goodwill by segment as at 31 December 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
	<b>PFS</b>	<b>PFS</b>
Goodwill	4,055	-

During the year, the acquired goodwill was tested for impairment in accordance with IAS 36 on the basis of the relevant CGUs. Following the impairment tests there has been no change to the carrying values. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on current business plans. The key assumptions for the value-in-use calculations are those regarding revenue growth rates, discount rates & long-term growth rates over a period of five years from the Statement of Financial Position date and thereafter. Management determined revenue growth based on past performance and its expectations for the market development. Discount rates were determined using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Terminal value is calculated as cash flows beyond the five-year period extrapolated using estimated long-term growth rates. Additionally, these value-in-use calculations were stress tested on a more prudent basis (assuming a mixture of 75% or 95% of revenue growth dependent upon the relevant CGU) and gave rise to no change in the carrying value of goodwill. There are no reasonably possible changes to any key assumptions used within the impairment reviews that would cause the carrying value of a CGU to exceed its recoverable amount.

The revenue growth rate does not exceed the long-term average growth rate for the businesses in which the CGUs operate.

	<b>2022</b>	<b>2021</b>
	<b>%</b>	<b>%</b>
Post-tax discounted rates	28.3%	-
Pre-tax discounted rates	37.7%	-
Long-term growth rates	2%	-

## 18. Property, plant, and equipment

Group:

	<b>Computers and electronic equipment</b>	<b>Equipment and furnishing</b>	<b>Leasehold improvement</b>	<b>Total</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>

	£ 000	£ 000	£ 000	£ 000
<b><i>Cost</i></b>				
<b>At 1 January 2021</b>	12	17	-	29
Additions	13	21	1	35
Exchange differences	1	1	-	2
<b>At 31 December 2021</b>	<b>26</b>	<b>39</b>	<b>1</b>	<b>66</b>
Acquisition of subsidiary (note 6.a)	13	16	-	29
Additions	18	19	31	68
Exchange differences	-	(2)	(1)	(3)
<b>At 31 December 2022</b>	<b>57</b>	<b>72</b>	<b>31</b>	<b>160</b>
<b><i>Depreciation</i></b>				
<b>At 1 January 2021</b>	9	7	-	16
Depreciation charge for the year	3	4	-	7
Exchange differences	1	-	-	1
<b>At 31 December 2021</b>	<b>13</b>	<b>11</b>	<b>-</b>	<b>24</b>
Acquisition of subsidiary (note 6.a)	7	11	-	18
Depreciation charge for the year	11	7	4	22
<b>At 31 December 2022</b>	<b>31</b>	<b>29</b>	<b>4</b>	<b>64</b>
<b><i>Net book value</i></b>				
At 31 December 2021	13	28	1	42
At 31 December 2022	26	43	27	96

**18. Property, plant, and equipment (cont.)**

Company:

	Computers and electronic equipment	Total
	£ 000	£ 000
<b><i>Cost</i></b>		
<b>At 1 January 2021</b>	-	-
Additions	23	23
<b>At 31 December 2021</b>	<b>23</b>	<b>23</b>
Additions	-	-
<b>At 31 December 2022</b>	<b>23</b>	<b>23</b>
<b><i>Depreciation</i></b>		
<b>At 1 January 2021</b>	-	-
Depreciation charge for the year	2	2
<b>At 31 December 2021</b>	<b>2</b>	<b>2</b>
Depreciation charge for the year	4	4
<b>At 31 December 2022</b>	<b>6</b>	<b>6</b>
<b><i>Net book value</i></b>		
At 31 December 2021	21	21
At 31 December 2022	17	17

**19. Investment in subsidiaries**

Company:

	2022	2021
	£ 000	£ 000
<b>As at 1 January</b>	14,676	-
Additions	11,441	17,951
Equity results	(2,371)	(3,275)
<b>As at 31 December</b>	<b>23,746</b>	<b>14,676</b>

On 21 February 2022, the Company acquired 100% of the voting rights of The GP Service (UK) Limited ("GPS"), an UK-based private company specialising in care telemedicine, via a share-for-share exchange. The carrying value of investment comprises of £13,499 thousands in respect of share consideration (carry a fair value of £10,671 thousand), of which £2,125 thousands remains unissued as at 31 December 2022.

During 2022, £122 thousands was recognised in respect of share-based payment charges recognised in the subsidiary during the reporting period. As there is no agreement in place for GPS to reimburse the Company for share options issued to and exercised by employees of GPS, the share-based payment charged recognised in the subsidiary in the year is recognised as a capital contribution in the subsidiary and thus an investment in the Company.

No impairments have been recognised in the year as the Directors do not believe the recoverable value of the investment to be below its carrying value.

The Company owns 100% of the share capital of GPS and the subsidiary's registered address is Coventry University Technology Park the Technocentre, CV1 2TT, Coventry, United Kingdom.

On 16 February 2021, the Company acquired 100% of the voting rights of Kanabo Research Ltd ("KNG"), an Israeli-based private company operating the CBD industry, via a share-for-share exchange. The carrying value of investment comprises of £17,500 thousands in respect of share consideration, of which £2,500 thousands remains unissued as at 31 December 2022.

During 2022, £648 thousands was recognised in respect of share-based payment charges recognised in the subsidiary during the reporting period. As there is no agreement in place for KNG to reimburse the Company for share options issued to and exercised by employees of KNG, the share-based payment charged recognised in the subsidiary in the year is recognised as a capital contribution in the subsidiary and thus an investment in the Company.

No impairments have been recognised in the year as the Directors do not believe the recoverable value of the investment to be below its carrying value.

The Company owns 100% of the share capital of KNG and the subsidiary's registered address is 21A Habarzel street, Tel-Aviv, Israel.

## 20. Financial asset through profit or loss

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
<b>As at 1 January</b>	750	-	750	-
Additions	-	750	-	750
Loss on financial asset at fair value through profit or loss (note 13)	(259)	-	(259)	-
<b>As at 31 December</b>	<b>491</b>	<b>750</b>	<b>491</b>	<b>750</b>
<i>Current</i>	491	-	491	-
<i>Non-current</i>	-	750	-	750

On 24 May 2021, the Company entered into an agreement to receive shares in Hellenic Dynamics S.A ("HD") following a reverse takeover by HD of a listed company. HD is a company incorporated in Greece and is a medical cannabis cultivator which is in the process of securing admission to the London Stock Exchange through a Reverse Take Over ("RTO").

As part of the agreement, for consideration of £750 thousands the Company has acquired 5,000 shares in HD's parent company, Samos Investments Ltd, and will be entitled to receive shares in HD as part of HD's proposed listing on the London Stock Exchange. The number of HD shares that will be issued to the Company shall be calculated as £750 thousands divided by the RTO valuation share price less a 30% discount.

On 15 November 2022, the Financial Conduct Authority ("FCA") has approved the prospectus issued by UK SPAC in connection with its acquisition of Hellenic and the proposed re-admission of UK SPAC (to be renamed Hellenic Dynamics Plc) to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market.

Following the RTO, the Company received 357,142,857 shares in Hellenic representing 2.9% of Hellenic share capital.

The fair value of the quoted notes is based on price quotations at the reporting date.

## 21. Inventories

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Finished goods	61	49	61	49
Raw materials	20	17	20	17
Write-down of slow moving and obsolete inventory	-	(3)	-	(3)
<b>Total</b>	<b>81</b>	<b>63</b>	<b>81</b>	<b>63</b>

During 2021, £3 thousands was recognised as an expense for provision of slow moving and obsolete inventory. The obsolete inventory has been eliminated during 2022.

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Trade receivables	48	10	38	10
Allowance for expected credit losses	(5)	-	(3)	-
<b>Total</b>	<b>43</b>	<b>10</b>	<b>35</b>	<b>10</b>

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

### 23. Other receivables

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Prepaid expenses	17	172	5	165
VAT recoverable	66	55	64	45
Tax receivables	73	10	-	-
<b>Total</b>	<b>156</b>	<b>237</b>	<b>69</b>	<b>210</b>

### 24. Short term loan

#### Group and the Company:

	Interest rate	Currency	31 December	31 December
			2022	2021
			£ 000	£ 000
Fixed rate loan	10%	CAD	611	583
Accumulated interest			15	15
			626	598
Less impermeant allowance/ECL			(626)	(598)
<b>Total</b>			-	-

On 25 July 2021 the Company signed a head of agreement with 11157353 Canada Corp. a company incorporated in Canada ("Materia").

As part of the agreement the Company agreed to extend Materia a £1.7 million (CAD 3 million) credit facility which was to be drawn down in tranches based upon agreed uses.

Under the agreement, amounts loaned are due for repayment twelve months after the drawdown date. No repayments were received in the year, and none have been received post year-end.

According to the loan agreement, Materia is obliged to receive the Company's approval for any additional investment from a 3rd party (excluding current investors). The loan is secured by a General Security Agreement under which all the Materia's assets from time to time constitute a floating collateral for the Loan. The collateral is shared equally with another lender to Materia (unconnected to the Group) and the relationship between the two lenders is regulated by an inter-creditor agreement.

Additionally, the agreement states that should the proposed transaction not complete within six months of the signing of the heads of terms, interest of 10% per annum would be charged on amounts drawn down from the date of drawdown. As at the year-end the Directors believed the transaction would not complete by 25 January 2022, and therefore, interest income at 10% per annum has been recognised for the period from drawdown to the year-end.

As of 31 December 2021, the Company transferred Materia CAD 1,000 thousand (£582 thousands) in three tranches. As of the reporting period the Company recorded interest income in the total amount of £15 thousands. The loan receivable has been impaired in full.

After the reporting period, the Group received notice that Materia, has been put into receivership process in Canada.

### 25. Intercompany receivables

#### Company:

	Interest rate	Currency	31 December	31 December
			2022	2021
			£ 000	£ 000
The GP Service (UK) Limited	9%	GBP	1,097	-
Kanabo Research Ltd.	-	GBP	3,192	834
<b>Total</b>			<b>4,289</b>	<b>834</b>

<i>Current</i>	3,192	834
<i>Non-current</i>	1,097	-

When conducting their IFRS 9 expected credit loss assessment, the Directors have assessed there are no indications that an impairment is required to be recognised and thus the intercompany receivables remain at carrying value.

**26. Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Cash at bank and in hand	3,204	4,477	937	4,148
<b>Total</b>	<b>3,204</b>	<b>4,477</b>	<b>937</b>	<b>4,148</b>

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

**27. Issued capital**

**a. Authorised shares**

As at 31 December 2022 the Company had 422,916,056 allotted and fully paid ordinary shares. The ordinary shares have attached to them full voting, dividend, and capital distribution rights (including on a winding up). The ordinary shares do not confer any rights of redemption.

	<b>2022</b>	<b>2021</b>
	<b>Number of ordinary shares of £0.025 each</b>	
<b>As at 1 January</b>	369,966,277	29,400,120
Shares issued in the year for RTO (a)	-	230,769,210
Shares issued in placing and subscriptions (b)	-	92,307,693
Shares issued to settled debt	-	615,384
Share issued in placing and subscriptions (c)	-	4,545,454
Shares issued due to option and warrant exercises	3,522,319	9,028,416
Shares issue to settle convertible loans	-	3,300,000
Share issued in placing and subscriptions (d)	28,125,000	-
Issue of shares for acquisition of subsidiary (e)	21,302,460	-
<b>As at 31 December</b>	<b>422,916,056</b>	<b>369,966,277</b>

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>As at 1 January</b>	9,249	734
Shares issued in the year for RTO (a)	-	5,769
Shares issued in placing and subscriptions (b)	-	2,308
Shares issued to settled debt	-	15
Share issued in placing and subscriptions (c)	-	114
Shares issued due to option and warrant exercises	88	226
Shares issue to settle convertible loans	-	83
Share issued in placing and subscriptions (d)	703	-
Issue of shares for acquisition of subsidiary (e)	533	-
<b>As at 31 December</b>	<b>10,573</b>	<b>9,249</b>

**27. Issued capital (cont.)**

**a. Authorised shares (cont.)**

- (a) On 16 February 2021, the company completed its reverse takeover ("RTO") process with Spinnaker Opportunities Plc ("SOP"). The RTO was completed in the form of a share for share exchange and the ratio was approximately 1:972.64.
- (b) On 16 February 2021, the Company issued 92,307,693 ordinary shares raising £6,000 thousands before costs.
- (c) On 24 May 2021, the Company issued 4,545,454 ordinary shares raising £1,000 thousands before costs.
- (d) On 21 February 2022, the Company issued 28,125,000 ordinary shares raising £2,250 thousands before costs.
- (e) On 21 February 2022, the Company acquired 100% of the voting rights of The GP Service (UK) Limited ("GPS") note 6 a

(f) As of 31 December 2022, 38,461,492 consideration shares and 85,406,117 share for the acquisition of GPS still need to be issued.

b. Share premium account

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>As at 1 January</b>	5,169	592
Shares issued in placing and subscriptions	1,434	4,634
Shares issued to settled debt	-	21
Shares issued to settle convertible loan notes	-	83
Share issue costs	-	(634)
Shares issued due to option and warrant exercises	247	473
<b>As at 31 December</b>	<b>6,850</b>	<b>5,169</b>

### 27. Issued capital (*cont.*)

c. Merger reserve

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>As at 1 January</b>	9,231	-
Shares issued in the year for RTO	-	9,231
Shares issued in the year for subsidiary purchase	2,162	-
<b>As at 31 December</b>	<b>11,393</b>	<b>9,231</b>

### **Restatement - Group and Company**

The directors have reviewed the accounting treatment of the shares issued in the prior year revere takeover and have concluded that on the basis that this was an acquisition of at least 90% of the equity shares of an undertaking for the issue of equity shares, then under section 612 Companies Act 2006 the excess of the fair value of the shares issued over their nominal value should have been recorded in a merger reserve and that the prior recording of that excess in the share premium account was precluded under that section of the Companies Act 2006. This restatement has reduced the share premium account by £9,231 which has been recorded in a merger reserve instead. There was no other impacts on the financial statements.

#### **Nature and purpose of each reserve in equity - disclosure under SOCIEs**

The merger reserve arises when the company acquires at least a 90% interest in the shares of another company and under s612 Companies Act 2006 the excess of fair value of the shares issued in excess of their nominal value is precluded from being recognised in the share premium account. This reserve is not distributable.

## 28. Share-based payments

### *Warrants*

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, the granted warrants during the year:

	2022		2021	
	Number	WAEP	Number	WAEP
<b>Outstanding at 1 January</b>	13,505,931	0.09	-	-
Granted	28,125,000	0.20	19,051,774	0.09
Realised	(3,231,501)	0.10	(5,545,843)	0.10
Expired	(6,422,711)	0.10	-	-
<b>Outstanding at 31 December</b>	<b>31,976,719</b>	<b>0.43</b>	<b>13,505,931</b>	<b>0.09</b>

*Exercisable at 31 December* **31,976,719** **0.43** **13,505,931** **0.09**

## 28. Share-based payments (*cont.*)

### **Warrants (cont.)**

a. On 21 February 2022 ("admission date"), the authorised share capital was increased by £2,250 thousand by the issue of 22,125,000 ordinary shares of £0.025 each. On the admission date, the new shares were admitted to the main market of the London Stock Exchange.

thousands (before costs) by the issue of 28,125,000 ordinary shares of £0.025 each. On the admission date, the Group additionally granted a half warrant to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.16 for period of 18 months following Admission Date. And additional half warrant to the noteholders to subscribe for an additional half a new ordinary share at an exercise price of £0.24 for period of 18 months following Admission Date. Total warrants issued sum to 28,125,000. The warrants were not issued for goods or services provided and therefore fall outside the scope of IFRS 2 and do not require fair valuing.

As of 31 December 2022, none of the warrants have been converted into shares.

b. On 17 February 2021 ("date of admission") the Group granted a warrant over one new Ordinary Share for every two Ordinary Shares registered in the name of an existing Shareholder of the Company as at the date of the RTO. The warrants granted under the terms of the RTO Warrant Instrument shall be exercisable in the period commencing on the date of Admission until the date 12 months after the date of Admission. The warrants are exercisable at £0.1 per Ordinary Share. Total warrants issued sum to 14,700,055. The warrants were not issued for goods or services provided and therefore fall outside the scope of IFRS 2 and do not require fair valuing.

During the reporting period part of the warrants have been exercised and the remaining has expired, following which as of 31 December 2022 the remaining granted warrants is nil.

c. On 17 February 2021 ("date of admission") the Group granted a warrant to the noteholders to subscribe for one Ordinary Shares for every two Conversion Shares issued to the noteholder. The warrants are exercisable at the Conversion Price (£0.05) and will be valid for a period of three years. Total warrants issued sum to 1,650,000. The warrants were not issued for goods or services provided and therefore fall outside the scope of IFRS 2 and do not require fair valuing.

As of 31 December 2022, 1,150,000 warrants have not been yet converted into shares.

d. On 27 January 2021, the Company entered a financial adviser warrant deed entitling Peterhouse Capital Limited to warrants over a number of ordinary shares, representing approximately 0.75 per cent of the enlarged Issued Share Capital (the share capital on the date of the RTO) in accordance with their engagement letter. The warrants are exercisable at the fundraising price, exercisable for a period of 7 years from the date of admission. Total warrants issued sum to 2,701,719. As the warrants were issued to the brokers assisting with the raise upon re-listing, the fair value of these warrants, £113 thousands, was treated as a share issue cost and debited against share premium.

As of 31 December 2022, none of these warrants have been converted into shares.

## 28. Share-based payments (cont.)

### Warrants (cont.)

The following table list the inputs to the model used for the warrants plan for the year ended 31 December 2021:

	27 January 2021
Weighted average fair values at the measurement date	£0.042
Dividend yield	0%
Expected volatility	70%
Risk-free interest rate (%)	0.32
Expected life of warrant (years)	7
Weighted average share price	£0.065
Model used	Black-Scholes

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

### Share options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2022		2021	
	Number	WAEP	Number	WAEP
<b>Outstanding at 1 January</b>	15,988,895	0.16	1,960,000	0.05
Granted	22,759,150	0.08	16,408,102	0.15
Forfeited and expired	(1,555,211)	-	(273,555)	-
Exercised	(290,818)	-	(2,105,652)	-
<b>Outstanding at 31 December</b>	<b>36,902,016</b>	<b>0.12</b>	<b>15,988,895</b>	<b>0.16</b>

*Exercisable at 31 December*      13,733,577      0.11      2,728,865      0.07

a. On 28 March 2021, the Group approved an Israeli appendix to the share-based payment plan ("The Israeli new plan"). The plan will include a replacing of existing options granted by Kanabo Research Ltd to three of its employees and consultants and for future grants for Kanabo Research Ltd employees. The plan is for 10 years forming the date of approval.

**28. Share-based payments (cont.)**

**Share options (cont.)**

- b. During the period ended 31 December 2018, the Company had a share-based payment plan. The plan was approved in February 2018 and has a 10-year duration. The terms of vesting vary according to the grant agreement subject to approval by the Board of Directors. Some grants mature immediately, and others vest over up to 4 years.
- c. During the reporting period 290,818 options exercise to shares, the net proceeds summed to £12 thousands.
- d. On 30 August 2022, 22,759,150 share options were granted to employees and senior executives under the options plans.
- e. The following tables list the inputs to the models used for the three plans for the years ended 31 December 2022 and 2021, respectively:

**Year ended 31 December 2022**

	30 August 2022				
Weighted average fair values at the measurement date	£0.023	£0.022	£0.025	£0.022	£0.021
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	91.3%	91.3%	91.3%	91.3%	91.3%
Risk-free interest rate (%)	2.7	2.7	2.7	2.7	2.7
Expected life of share option (years)	10	10	10	10	10
Weighted average share price	£0.065	£0.08	£0.025	£0.1015	£0.1265
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

**28. Share-based payments (cont.)**

**Share options (cont.)**

- e. (cont.)

**Year ended 31 December 2021**

	27 January 2021	27 January 2021	28 April 2021	19 July 2021	24 October 2021
Weighted average fair values at the measurement date	£0.03	£0.022	£0.173	£0.11	£0.12
Dividend yield	0%	0%	0%	0%	0%
Expected volatility	105%	105%	105%	105%	105%
Risk-free interest rate (%)	0.18	0.18	1.63	1.19	1.66
Expected life of share option (years)	3	3	10	10	10
Weighted average share price	£0.065	£0.1	£0.2721	£0.197	£0.165
Model used	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The risk-free rate of return is based on zero yield government bonds for a term consistent with the option life.

- f. During the period the Group recognised total amount of £739 thousands (2021: £660 thousands) for share-based payment expenses.

The amount was recorded in the profit and loss as follows:

	2022	2021
	£ 000	£ 000
Cost of sales (note 8)	13	-
Research and development expenses (note 9)	68	6
Sales and marketing expenses (note 10)	349	218
General and administration expenses (note 11)	527	426

General and administration expenses (note 11)	557	450
<b>Total</b>	<b>967</b>	<b>660</b>

## 29. Interest-bearing loans and borrowings

Group:

	Interest rate	Currency	Maturity	2022 £ 000	2021 £ 000
<b>Current interest-bearing loans and borrowings</b>					
Lease liability (note 31)	7.5%	ILS	2023	65	-
CBILS loan	9%	GBP	2023	133	-
<b>Total</b>				<b>198</b>	-
<b>Non-current interest-bearing loans and borrowings</b>					
Lease liability (note 31)	7.5%	ILS	2024-2028	233	-
CBILS loan	9%	GBP	2024-2025	267	-
Loans from a third parties' investors in subsidiary (note 6.b)	3.23%	ILS	No maturity date was set	9	-
<b>Total</b>				<b>509</b>	-
<b>Total interest-bearing loans and borrowings</b>				<b>707</b>	-

### CBILS loan

On 22 January 2021, The GP Service (UK) Limited received a Coronavirus Business Interruption Loan Scheme (CBILS) which carry a fixed rate interest of 9% and repayable by instalments over a 3-year period commencing March 2022.

The loan is recognised as a financial liability at amortised cost. Interest is calculated under the effective interest method. The initial recognition at fair value was not materially different to the proceeds received.

## 30. Other payables

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Payroll and related expenses	41	82	-	-
Accrued expenses	991	186	859	149
Provision for accrued bonus	56	57	22	-
Provision for accrued vacation and convalescence	43	48	24	-
Other	16	-	-	-
<b>Total</b>	<b>1,147</b>	<b>373</b>	<b>905</b>	<b>149</b>

## 31. Leases

On 22 December 2021, Kanabo Research Ltd ("KNR") (a wholly owned subsidiary of the Company) signed a lease agreement with a third party to rent space in Israel, in exchange for a total ILS 24 thousand per month linked to the Consumer Price Index. The start date of the rental agreement was agreed between the parties on 17 March 2022. The lease agreement is for three years and includes an extension option for three more years. If KNR exercising the rent extension option, the monthly rent will be updated with an increase of 6%. KNR exercises significant discretion in examining whether it is reasonably certain that extension option will be exercised. At date the lease began, the company recognised a right of use in the property against a lease obligation in the amount of £327 thousands (ILS 1,399 thousand). To secure the lease agreement, the company provided a deposit in the amount of £31 thousands (ILS 132 thousand). The deposit is being classified as long-term deposit in the Group's statements of financial position.

During 2022, the KNR recognised depreciation expenses in the amount of £47 thousands as well as financing expenses in the amount of £24 thousands. The annual interest rate for capitalisation that was applied for the purpose of calculating the obligation at the start of the lease was 7.5%.

Set out below are the carrying amounts of right-of-use asset recognised and the movements during the period:

	2022	2021
	£ 000	£ 000
<b>As at 1 January</b>	-	-
Additions	327	-
Depreciation expense	(47)	-
Exchange differences	2	-
<b>As at 31 December</b>	<b>282</b>	-

### 31. Leases (cont.)

Set out below are the carrying amounts of lease liability (included under interest-bearing loans and borrowings) and the movements during the period:

	2022	2021
	£ 000	£ 000
<b>As at 1 January</b>	-	-
Additions	327	-
Accretion of interest	24	-
Payments	(57)	-
Effect of movement in exchange rate	4	-
<b>As at 31 December</b>	<b>298</b>	-

<i>Current</i>	65	-
<i>Non-current</i>	233	-

### 32. Financial instruments risk management objectives and policies

The Group's principal financial liabilities, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and short-term deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured, and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience, and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

### 32. Financial instruments risk management objectives and policies (cont.)

The following table sets out the categories of financial instruments held by the Group as at 31 December 2022 and 31 December 2021:

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
<b>Financial assets</b>				
<i>Financial assets held at amortised cost</i>				
Intercompany receivables	-	-	4,289	834
Trade receivables	43	10	35	10
Long term deposit	31	-	-	-
Short-term deposits	24	20	-	-
Cash and cash equivalents	3,204	4,477	937	4,148
<i>Financial assets held at fair value</i>				
Financial asset through profit or loss	491	750	491	750
<b>Total financial assets</b>	<b>3,793</b>	<b>5,257</b>	<b>5,752</b>	<b>5,742</b>

<i>Current</i>	3,762	4,507	5,752	4,992
<i>Non-current</i>	31	750	-	750

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
<b><i>Financial liabilities</i></b>				
<i><u>Financial liabilities held at amortised cost</u></i>				
Trade payables	153	42	79	24
Other payables	1,147	373	905	149
Interest-bearing loan and borrowings	707	-	-	-
<b>Total financial liabilities</b>	<b>2,007</b>	<b>415</b>	<b>984</b>	<b>173</b>
<i>Current</i>	1,498	415	984	173
<i>Non-current</i>	509	-	-	-

### 32. Financial instruments risk management objectives and policies (cont.)

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits, debt and equity investments and derivative financial instruments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2022 and 2021.

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of debt and derivatives and the proportion of financial instruments in foreign currencies are all constant and on the basis of the hedge designations in place at 31 December 2022.

The analyses exclude the impact of movements in market variables on the carrying values of provisions, and the non-financial assets and liabilities of foreign operations. The Group is not materially exposed to market risk as it has yet to commence trading.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group is not materially exposed to interest rate risk because it does not have any funds at floating interest rates, all the Group borrowings are at fixed interest rate.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group doesn't hedge its exposure to fluctuations on the translation into British Pound of its foreign operations.

The Directors do not believe that the Group have a material exposure to foreign currency risk. The only notable foreign currency risk is that of the loan receivable due from Materia. The loan receivable due from Materia does represent a foreign currency risk as the balance is denominated in Canadian Dollars. See note 24 for further commentary on the terms of this loan.

### 32. Financial instruments risk management objectives and policies (cont.)

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group's maximum exposure to credit risk in relation to each class of recognised asset is the carrying amount of those assets as indicated in the balance sheet. At the reporting date, there was no significant concentration of credit risk. Receivables at the year-end were not past due, and the Directors consider there to be no significant credit risk arising from these receivables.

### Liquidity risk

The Group monitors its risk of a shortage of funds using a liquidity planning tool.

Cash flow working capital forecasting is performed for regular reporting to the Directors. The Directors monitor these reports and forecasts to ensure the Group has sufficient cash to meet its operational needs.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 31 December 2022

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Interest-bearing loans and borrowings	-	-	133	267	9	409
Lease liability	-	11	36	251	-	298
Trade payables	153	-	-	-	-	153
Other payables	1,147	-	-	-	-	1,147
<b>Total</b>	<b>1,300</b>	<b>11</b>	<b>169</b>	<b>518</b>	<b>9</b>	<b>2,007</b>

Year ended 31 December 2021

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
Trade payables	42	-	-	-	-	42
Other payables	373	-	-	-	-	373
<b>Total</b>	<b>415</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>415</b>

### 32. Financial instruments risk management objectives and policies (cont.)

#### Capital risk management

The Company defines capital based on the total equity of the Company. The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, in the future.

### 33. Related party transactions

The Group is headed by Kanabo Group Plc, the ultimate parent entity. There is no ultimate controlling party. The Directors have determined that there is no controlling party as no individual shareholder holds a controlling interest in the Company. Controlling party is defined as a shareholder which holds more than 25% ownership of shares in the Company.

#### Key management personnel compensation

For the details of the Directors' remuneration in 2022 and 2021, please see the Director's Remuneration Report on the annual report.

The amounts outstanding at the period end due to Non-Executive Directors was £nil (2021: £nil).

During 2021, following the completion of the RTO, the Company paid bonuses to the Directors Alan Hume, Andrew Morrison and Anthony Harpur totalling £180 thousands. The bonuses were paid directly to the Directors and to entities which are wholly owned by them.

#### Trading transactions

During the year Group companies did not enter any transactions with related parties who are not members of the Group.

#### Transactions with Group undertaking

	2022	2021
	£ 000	£ 000
<b>With Kanabo Research Ltd:</b>		
Purchase of services	729	576

Purchase of inventories	-	46
<b>Total</b>	<b>729</b>	<b>622</b>

Sale and purchases to the Group undertaking were carried out on commercial terms and conditions based on the transfer price work.

#### 34. Employees

The monthly average number of employees in the Group was 20 (2021: 10), which excludes Non-Executive Directors and portion allocation between eth diff departments.

	Group		Company	
	2022	2021	2022	2021
	Number	Number	Number	Number
Research and development	2	2	-	-
Sales and marketing	3	3	-	-
General and administration	15	5	2	-
<b>Total number of employees</b>	<b>20</b>	<b>10</b>	<b>2</b>	-

Their aggregate remuneration, including Executive Directors' remuneration, comprised:

	Group		Company	
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Wages and salaries	1,345	396	116	-
Pension	51	19	6	-
Social security costs	113	24	18	-
Share-based payment	783	472	17	-
<b>Total number of employees</b>	<b>2,292</b>	<b>911</b>	<b>157</b>	-

#### 35. Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

##### Newly effective EU-endorsed standards for 1 January 2022 to 31 December 2022

Standard	Impact on initial application	Effective date
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
IFRS Standards	Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022

##### Standards available for early adoption

Standard	Impact on initial application	Effective date
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimate	1 January 2023

#### 36. Copies of the annual report

Copies of the annual report are available on the Company's website at [www.kanabogroup.com](http://www.kanabogroup.com) and from the Company's registered office Churchill House, 137-139 Brent Street, London, NW4 4DJ, United-Kingdom.



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