

**Celadon Pharmaceuticals plc
("Celadon" or the "Company" or the
"Group")**

**Unaudited Interim results for the six
months ended 30 June 2024**

London, 30 September 2024 - Celadon Pharmaceuticals Plc (AIM: CEL) a UK-based pharmaceutical company focused on the development, production and sale of breakthrough cannabis-based medicines, today announces its unaudited condensed interim results for the six months ended 30 June 2024 (the "Period").

Strategic and operational highlights

- Entered into strategic collaboration with Valeos Pharma A/S post Period end to:
 - license Celadon's intellectual property in facility design, cultivation techniques and operating processes;
 - license Celadon's genetics; and,
 - accelerate Celadon's ability to supply pharmaceutical grade EU-GMP cannabis cultivated by Valeos to its existing and prospective European customers.
- Successfully completed 12 harvests from Phase 1 grow facility. Now anticipate completing 16 harvests in 2024.
- Design for Heating, Ventilation and Air Conditioning system for Phase 2 of Celadon's facility now completed.
- First supply of a small amount of product to customer in the US.
- Delays in delivery to two UK customers due to delays in onboarding new external testing laboratories, which have now been resolved. Inventory of £0.3m at 30 June 2024.
- Cash of £2.65m received (gross of fees) in, and subsequent to, the Period from equity raises. A further £0.4m remains due from a committed equity subscription in relation to the 10 May equity fundraising.

Financial highlights for the Period

- Revenue of £63k (30 June 2023: £8k)
- Operating loss of £2.3 million (30 June 2023: £3.2 million)
- Loss before tax of £2.4 million (30 June 2023: £4.4 million)
- Cash balance as at 30 June 2024 of £16k (30 June 2023: £1.6 million). Cash at 27 September 2024 of £0.5m.
- As announced on 12 August 2024, there has been a delay in receiving funds due on a £1m draw down request on the Group's £7m committed credit facility, with £0.3m received to date.
- Ongoing discussions with a small number of potential institutional investors about entering into substantial longer term debt facilities.

James Short, CEO of Celadon, commented:

"The Period has been one of significant operational and strategic progress against the ambitious targets we set out at the beginning of 2022 and ahead of the Company's admission to AIM. Unfortunately, the delays in receiving funding from a committed shareholder and lender have caused the progress of the business to slow."

"The Group continues to receive a significant number of inbound requests to supply the Group's EU-GMP pharmaceutical products and is confident of being able to make progress on delivering these when the anticipated funding has been received."

"The strategic collaboration with Valeos has the opportunity to accelerate the Group's ability to supply product to its existing and prospective European customers and to accelerate the point at which the Group becomes profitable."

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

Investor Presentation: 3:30pm BST, Wednesday 9 October 2024

Management will be hosting a live presentation and Q&A session relating to the interim results at 3:30pm BST on Wednesday 9th October 2024 via the online platform Investor Meet Company.

Investors can sign up to Investor Meet Company for free and attend the presentation via the following link:
<https://www.investormeetcompany.com/celadon-pharmaceuticals-plc/register-investor>

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

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About Celadon Pharmaceuticals Plc

Celadon Pharmaceuticals Plc is a UK based pharmaceutical company focused on the research, cultivation, manufacturing, and sale of breakthrough cannabis-based medicines. Its primary focus is on improving quality of life for chronic pain sufferers, as well as exploring the potential of cannabis-based medicines for other conditions such as autism. Its 100,000 sq. ft UK facility is EU-GMP approved and comprises indoor hydroponic cultivation, proprietary GMP extraction and manufacturing and an analytical and R&D laboratory. Celadon's Home Office licence allows for the commercial supply of its GMP pharmaceutical cannabis product. The Group owns an approved clinical trial using cannabis-based medicinal products to treat chronic pain in the UK. Celadon also has a minority interest in early-stage biopharma Kingdom Therapeutics which is developing a licensed cannabinoid medicine to treat children with Autism Spectrum Disorder.

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

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

Chief Executive Officer's Report

Introduction & Overview

I am pleased to present Celadon's interim results for the six months ended 30 June 2024. The Period has been one of significant operational and strategic progress against the ambitious targets we set out at the beginning of 2022 and ahead of the Company's admission to AIM.

At Celadon, our mission is to improve quality of life for patients most in need by developing breakthrough cannabis-based medicines. To unlock this opportunity, we are pursuing a strategy to open up the UK market by combining domestic production of pharmaceutical-grade medicinal cannabis with the clinical evidence generation that is required to support prescribing by doctors, and research into future cannabis-based medicines. Celadon has also entered into contracts to supply two UK based customers and an initial customer in Europe and has shipped a small amount of product to a customer in the US. Following the recently announced strategic collaboration with Valeos Pharma A/S ("Valeos") is about to establish a medical cannabis distribution entity in Denmark.

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

Operational Progress

UK Customers

Following obtaining the full set of regulatory licences in 2023, Celadon has been cultivating high quality medical cannabis plants for supply to pharmaceutical companies and medical cannabis clinics in the UK. Cultivation continues to progress well with 12 harvests having been completed so far in 2024. We anticipate being able to complete 16 harvests this year, an increase from the 15 originally planned. Celadon's Cultivation team continues to improve the yield generated from its crops above and beyond the significant yields being generated.

In the year to 31 December 2023, Celadon won its first contracts to supply medical cannabis to customers in the UK. Celadon supplied its first product to these customers in December 2023, and has continued to service these customers during the first half of 2024. Legalisation of medical cannabis only took affect at the end of 2018 and the wider medical cannabis infrastructure in the UK has taken time to develop. As a result there have been some initial delays in supplying product due to onboarding new external testing laboratories causing revenues in the first half to be lower than anticipated. Now that these testing facilities are in place, on an annualised basis, these contracts are anticipated to generate approximately £1.5m of revenue.

Overseas Customers

In November 2023, Celadon won a contract with a leading European medicinal cannabis company that has the potential to generate revenue of up to £8.7 million annually. The Group had originally anticipated supplying this contract from Phase 2 of its 100,000 sq ft Midlands facility. As noted below, the recently signed strategic collaboration with Valeos will give Celadon access to a substantial amount of EU-based cultivation space, thus allowing Celadon to utilise Phase 2 of its facility, once completed, to supply to the growing UK and international market.

Celadon's reputation for producing high quality, high THC medical cannabis continues to prompt a number of inbound enquiries for product such as the request for a small shipment of two different medical cannabis products to a long established American business.

Phase 2 Facility Fit Out

Having completed the physical build of Phase 2, the most significant remaining part of the fit out of Phase 2 at Celadon's facility in terms of both time and cost, is the installation of Heating, Ventilation and Air Conditioning ("HVAC") system. Delays in obtaining funding have meant that it has not been possible to progress the fit out as anticipated, but subject to funding being received, the fitting of the HVAC system is expected to commence in Q4 FY2024.

CANPAIN Trial

Given the limited amount of funds available to the Group, progress on formally re-launching the CANPAIN Trial has been slow.

Strategic Progress

In September 2024, the Group entered into a strategic collaboration (the "Collaboration") with Valeos to, inter alia, accelerate the Group's ability to supply product to its existing European customer. Valeos is a successful Danish company that specialises in EU-GMP production of medical cannabis, with manufacturing facilities in Holeby, Denmark. Valeos' existing manufacturing facilities are capable of producing an estimated 1.5 tonnes of pharmaceutical grade medical cannabis Active Pharmaceutical Ingredients finished to EU-GMP standards per year.

The Collaboration will see Celadon license the intellectual property ("IP") it has developed in facility design, cultivation techniques and operating processes to Valeos. The aim of licensing this IP to increase the product quality and yield from Valeos' growing rooms by up to 100% - ie to increase cultivation capacity to c.3 tonnes per annum.

Celadon will also licence some of its genetics to Valeos, and Valeos will grow these on behalf of Celadon, allowing Celadon to eliminate a number of supply chain inefficiencies in supplying its existing and potential European customers.

Valeos is expected to commence cultivation for Celadon's European customer in Q1 2025.

Strategic Developments

Celadon is working with a number of healthcare providers and medical cannabis clinics to assist them in evaluating the potential to improve treatment for existing conditions by using cannabis-based medicinal products ("CBMPs").

Funding

As announced on 10 May 2024, the Group raised £2.1 million via a Placing and Subscription in May 2024, with £0.75 million of the proceeds being payable over a three-month period until August 2024. Receipt of £0.4 million of these funds has been delayed. The Group has also experienced delays in receiving amounts due under a draw down from its £7 million Committed Credit Facility provider following an initial draw down request of £1 million, of which £0.3 million has been received to date.

The Company has not received any further cash from the £0.4 million owed from the Placing and Subscription and £0.7 million due from the Committed Credit Facility provider (the "Delayed Funding"), since the last update on its financial position made on 11 September 2024. Based on the current forecasts of the Company, the cash resources available to the Company are expected to finance the working capital requirements of the Company through to December 2024, with the Company continuing to manage its cash position and assuming careful creditor management. While the Directors remain confident of receiving the funds from the Delayed Funding, and there is a legal requirement on both parties to make payment, the Board notes the significant delayed timeframe of payment which raises uncertainty that the funds will be received.

Given the Group's reliance on the receipt of the Delayed Funding and its Committed Credit Facility to ensure it has the ability to continue as a going concern, the Group is in discussion with both its existing lender about receiving further amounts on the Committed Credit Facility, but also a small number of other potential lenders about entering into longer term debt facilities that would allow refinancing of the Committed Credit Facility to ensure that the Group continues to have access to sufficient funds. In the event that it is not possible to borrow further amounts on the Committed Credit Facility, or to refinance it, there is a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Outlook

While the UK market for CBMPs is early in its development, the growing demand for CBMPs internationally indicates the potential path for the UK market. As such, we are increasingly optimistic around the medium to long-term sector outlook and the prospects for Celadon and the wider medicinal cannabis market. We need to resolve the short term funding challenges for Celadon, and then we can look forward to finishing the fit out of our Phase 2 grow facility and building on the Collaboration with Valeos so that we can both be producing CBMPs that so many patients will be able to benefit from.

James Short
CEO

Financial overview

Revenues - in the six months ended 30 June 2024, the Group recorded revenues of £63k (six months ended 30 June 2023: £8k, year ended 31 December 2023: £75k). Revenue from the sale of medical cannabis products is recognised at the time that the customer has the risks and rewards of ownership.

Cost of sales - includes all costs of cultivation and production for the medical cannabis products sold in the Period.

Fair value adjustment - in accordance with IAS41 (Biological Assets), the Group is required to estimate the fair value of the medical cannabis in cultivation (referred to as "Biological Assets"). This fair value is based on the anticipated sales revenue less the anticipated costs to sell the product.

After the medical cannabis has been harvested, but before it can be sold it is necessary for the harvested plants to be dried, trimmed and further processed. Whilst in this post-cultivation state, the cannabis plants are referred to as Agricultural Products. The fair value of the Biological Assets is treated as the carrying value of the Agricultural Products. As such, the fair value adjustment represents the anticipated profit from the cultivation activities in the Period. The fair value adjustment for the six months ended 30 June 2024 was £338k (six months ended 30 June 2023: £nil, year ended 31 December 2023: £74k).

Gross profit - for the six months ended 30 June 2024 the Group reported a gross profit of £350k (six months ended 30 June 2023: loss of £26k, year ended 31 December 2023: £75k). The gross profit represents the realised and unrealised profit from the cultivation and sale of the Group's medical cannabis products.

Operating costs - include all people costs, property costs (including utilities, repairs and maintenance), marketing, and legal and professional costs. These totalled £2.3 million in the six months ended 30 June 2024, and were lower than the operating costs for the six months to 30 June 2023 of £2.9 million (year ended 31 December 2023: £5.5 million) as a result of a lower salary base and reduced spend on consultants.

Operating loss - is gross margin less operating costs, depreciation and amortisation. The operating loss for the six months ended 30 June 2024 was £2.3 million (six months ended 30 June 2023: £3.2 million, year ended 31 December 2023: £5.9 million).

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

Transaction related costs in the six months ended 30 June 2024, six months ended 30 June 2023 and year ended 31 December 2023:

Transaction related costs - a £0.2 million charge arose in the Period to 30 June 2024 in respect of an internal reorganisation of the Group's intellectual property ownership and entry into the strategic collaboration with Valeos Pharma A/S. The £0.6 million charge in the Period to 30 June 2023 in respect of due diligence costs for a potential transaction, and on certain internal reorganisations. Similar transaction related costs for the year to 31 December 2023 totalled £0.7 million.

Profit on Disposal of Harley Street (CPC) Limited

On 8 March 2024, the Group disposed of its investment in Harley Street (CPC) Limited for a consideration of £0.5 million payable over three years. At the time of the disposal, the only activity conducted by Harley Street (CPC) Limited was the operation of a CQC registered clinic. The assets relating to the CANPAIN Trial had been transferred to Celadon Property Co Limited during 2023. The Group had impaired the value associated with the goodwill on its investment in Harley Street (CPC) Limited in the year to 31 December 2022.

Long term incentive plans - the Group has two share based long term incentive plans for certain directors, advisors and employees; the Subsidiary Incentive Scheme and a separate Long Term Incentive Plan.

In the six months to 30 June 2024, the total charge in respect of the long term incentive plans was £54k (six months ended 30 June 2023: £420k, year ended 31 December 2023 £285k).

Finance charges on leased assets - Celadon has a Right of Use lease on its production facility with over 20 years remaining. There is also a 3 year Right of Use lease on one item of production equipment, with 1 year left to run. The finance charge on these leased assets of £296k is a fair valuation charge to unwind the respective balance sheet lease liabilities (six months ended 30 June 2023: £289k, year ended 31 December 2023: £581k).

Loan interest charges - In the period to 30 June 2024, Celadon's had drawn on two different external funding lines: a) a UK Government backed COVID related Bounce Back loan; and b) a Committed Credit Facility from a High Net Worth individual.

The external loan interest charged on the Bounce Back loan in the Period was £0.2k (six months ended 30 June 2023: £0.4k, year ended 31 December 2023: £1k).

The interest charged on the Committed Credit Facility in the period to 30 June 2024 was £0.5k (six months to 30 June 2023: £nil, year ended 31 December 2023: £0.3k).

Non Current Assets at 30 June 2024 were £6.8 million, a reduction of £0.1 million from the position at 30 June 2023 of £6.9 million (31 December 2023: £6.7 million). This reduction was due to the depreciation of the Group's plant and machinery and amortisation of the Group's intangible asset totalling £0.2 million and a reduction in the Right of Use asset of £0.2 million, offset by the recognition of deferred consideration due on the sale of Harley Street (CPC) Limited of £0.3m.

Current Assets at 30 June 2024 were £1.7 million, a reduction of £0.9 million from the position at 30 June 2023 of £2.6 million (31 December 2023: £2.5 million). The decrease since June 2023 reflects the utilisation of the cash to fund the operating expenses for the business and facility expansion by £1.0 million, offset by an increase in trade receivables and the fair value of the Biological Assets and Agricultural Products.

Current Liabilities at 30 June 2024 were £0.9 million, a reduction of £0.5 million from the position at 30 June 2023 of £1.4 million (31 December 2023: £1.0 million). The decrease is due to the reduction in Trade and Other Payables.

Non-current liabilities at 30 June 2024 were £5.1 million, an increase of increase by £0.1 million from the position at 30 June 2023 of £5.0 million (31 December 2023: £5.1 million). The increase compared is as a result of an increase in the lease liability and the provision in respect of the property decommissioning costs of £0.1 million.

Net assets - at 30 June 2024 were £2.5 million (30 June 2023: £3.0 million, 31 December 2022: £3.2 million).

Shareholders' Equity - Share Capital including Share Premium and the Merger Relief Reserve total £92.8 million at 30 June 2024 (30 June 2023: £88.3 million and 31 December 2023: £91.2 million), the increases have been due to share allotments in October and December 2023, and in May 2024; the Reverse Acquisition Reserve of £59.2 million (which is the consolidation reserve created on the reverse acquisition of combining Summerway Capital Plc and Celadon) remained constant; the Retained losses increased to £32.7 million (30 June 2023: £27.9 million, 31 December 2023: £30.7 million). The Non-controlling Interest of £23k at 30 June 2024, 30 June 2023 and 31 December 2023 relates to the Subsidiary Incentive Scheme.

Cash outflows from operating activities - for the six months ended 30 June 2023 were £2.6 million (six months to 30 June 2023: £3.0 million, year ended 31 December 2023: £6.0 million). The main items of expenditure include staff, advisers and utility costs.

Investing activities - in the period ended 30 June 2024 capital expenditure totalled £59k (30 June 2023: £208k, year ended 31 December 2023: £341k). In the period to 30 June 2024, the Group received the first instalments of the disposal proceeds due on the sale of Harley Street (CPC) Limited of £33k. The remaining £467k is due in instalments until March 2027.

Financing activities - in the six months ended 30 June 2024, the Group raised £1.6 million of new equity financing (net of allocated issue costs, which were specifically related to the fundraise process), with a further £0.4 million of subscription proceeds still anticipated at the date of this report.

Cash balance - at 30 June 2024 the Group had £16k in cash (30 June 2023: £1.6 million, 31 December 2023: £1.3 million).

Post balance sheet events - on 11 September 2024, the Group announced that it had raised a further £1.0 million of equity funding by a placing of 2,625,000 ordinary shares at a placing price of £0.40 per share.

Going Concern - the Group has received £2.65m (gross of fees) of funding via equity raises since May 2024, with a further £0.4m due.

The Group is selling products to customers and the strategic collaboration recently entered into with Valeos will allow the Group to be able to supply products to its European customer worth up to £8.7m per annum - which should significantly reduce the Group's cash outflow. Sensitised cashflow forecasts for the next 12 months indicate that by utilising its £7m Committed Credit Facility, the Group should have sufficient funds to be able to continue as a going concern for the next 12 months.

As previously announced the Group has experienced some delays in receiving amounts requested on its loan draw downs, although the lender has continued to express their intention to support the business. The Group is in discussion, both with the existing lender, but also new potential lenders about refinancing the Committed Credit Facility to put in place a longer term funding solution. In the event that it is not possible to borrow further amounts on the Committed Credit Facility, or to refinance it, there is a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Jonathan Turner
CFO

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	Unaudited	Unaudited	
Notes	£000	£000	£000

	Notes	£ 000	£ 000	£ 000
Revenue	5	63	8	75
Cost of sales		(51)	(34)	(74)
Fair value adjustments		338	-	74
Gross Profit		350	(26)	75
Operating costs		(2,345)	(2,902)	(5,472)
Depreciation and amortisation		(275)	(260)	(534)
Operating loss		(2,270)	(3,188)	(5,931)
Other transaction costs		(228)	(556)	(741)
Net finance costs	6	(288)	(271)	(566)
Profit on sale of subsidiary undertaking	7	435	-	-
Long term incentive plans		(54)	(420)	(285)
		(135)	(1,247)	(1,592)
Loss before taxation		(2,405)	(4,435)	(7,523)
Taxation		12	12	261
Loss for the period, being total comprehensive loss for the period		(2,393)	(4,423)	(7,262)
Loss attributable to:				
Controlling Interest		(2,393)	(4,301)	(7,140)
Non controlling interest		-	(122)	(122)
		(2,393)	(4,423)	(7,262)
Basic and diluted loss per share	8	(3.7p)	(7.0p)	(11.5p)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024	30 June 2023	31 December 2023
		Unaudited	Unaudited	
Notes	£000	£000	£000	
Non-current assets				
Intangible assets		278	378	328
Property, plant and equipment		2,899	3,001	2,984
Right of use assets		3,109	3,272	3,191
Investments		218	218	218
Deferred consideration		272	-	-
Total non-current assets		6,776	6,869	6,721
Current assets				
Inventories		319	24	60
Biological Assets	9	129	-	40
Trade and other receivables	10	1,222	956	1,141
Cash and cash equivalents		16	1,611	1,259
Total current assets		1,686	2,591	2,500
Current liabilities				
Trade and other payables		(768)	(1,304)	(856)
Loans and borrowings	11	(21)	(10)	(20)
Lease liabilities	11	(64)	(56)	(54)
Deferred tax liability		(25)	(25)	(25)
Total current liabilities		(878)	(1,395)	(955)
Non-current liabilities				
Loans and borrowings	11	(10)	(19)	(14)
Lease liabilities	11	(4,684)	(4,565)	(4,629)
Provisions		(117)	(297)	(105)

Provisions	(144)	(50)	(100)
Deferred tax liability	(25)	(50)	(37)
Total non-current liabilities	(5,131)	(5,031)	(5,085)
Net assets	2,453	3,034	3,181
Shareholders' funds			
Share capital	660	617	642
Share premium	27,073	22,553	25,504
Merger Reserve	65,082	65,082	65,082
Reverse Acquisition Reserve	(59,200)	(59,200)	(59,200)
Warrant Reserve	395	566	617
Capital Redemption Reserve	49	49	49
Share Based Payment Reserve	1,118	1,235	1,195
Retained earnings	(32,747)	(27,891)	(30,731)
Equity attributable to owners of the Group	2,430	3,011	3,158
Non-controlling interest	23	23	23
Total Equity	2,453	3,034	3,181

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share Capital	Share Premium	Merger Reserve	Reverse Acquisition Reserve	Warrant Reserve	Capital Redemption Reserve	Share Based Payment Reserve	Retained Earnings	Eq
	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	Unaudited £000	
Balance at 31 December 2022	617	22,553	65,082	(59,200)	471	49	910	(22,807)	
Share-based payment charge	-	-	-	-	95	-	325	-	
Release of minority interest on acquisition of Harley Street	-	-	-	-	-	-	-	(783)	
Loss for the period	-	-	-	-	-	-	-	(4,301)	
Total movement for the period	-	-	-	-	95	-	325	(5,084)	
Balance at 30 June 2023	617	22,553	65,082	(59,200)	566	49	1,235	(27,891)	
Share-based payment charge	-	-	-	-	51	-	(40)	-	
Issue of shares for cash	25	2,975	-	-	-	-	-	-	
Cost of share issue	-	(24)	-	-	-	-	-	-	
Loss for the period	-	-	-	-	-	-	-	(2,840)	
Total movement for the period	25	2,951	-	-	51	-	(40)	(2,840)	
Balance at 31 December 2023	642	25,504	65,082	(59,200)	617	49	1,195	(30,731)	
Share-based payment charge	-	-	-	-	24	-	54	-	
Vesting warrants or share-based payments	-	-	-	-	(246)	-	(131)	377	
Issue of shares for cash	18	1,585	-	-	-	-	-	-	
Cost of share issue	-	(16)	-	-	-	-	-	-	
Loss for the period	-	-	-	-	-	-	-	(2,393)	
Total movement for the period	18	1,569	-	-	(222)	-	(77)	(2,016)	
Balance at 30 June 2024	660	27,073	65,082	(59,200)	395	49	1,118	(32,747)	

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2024

June 2024	June 2023	31 December 2023
Unaudited	Unaudited	

	Unaudited £'000	Unaudited £'000	£'000
Operating activities			
Loss for the Period	(2,393)	(4,423)	(7,262)
Adjustments for:			
Depreciation and amortisation	275	260	534
Loss on disposal of fixed assets	-	-	6
Finance charges on leased assets	296	288	581
Finance charge on loans	-	2	-
Long term incentive plan	54	420	285
Warrant costs	24	-	146
Profit on sale of subsidiary undertaking	(435)	-	-
Fair value adjustments	(338)	-	(74)
Release of deferred tax liability on intangible asset	(12)	(12)	(25)
Other finance cost (net)	(8)	(18)	(15)
Operating cash flow before working capital movements	(2,537)	(3,483)	(5,824)
Decrease in trade and other receivables	61	293	108
(Decrease)/Increase in trade and other payables	(89)	199	(250)
(Increase) in inventories	(9)	(3)	(6)
Cash (outflow) from operating activities	(2,574)	(2,994)	(5,972)
Investing activities			
Net expenditure on purchase of property, plant and equipment	(59)	(208)	(341)
Proceeds from sale of subsidiary undertaking	33	-	-
Net cash (outflow) from investing activities	(26)	(208)	(341)
Financing activities			
Interest received on bank deposits	4	18	32
Repayment of Lease Liabilities	(230)	(258)	(496)
Supplier loan - interest payment	-	(2)	-
Third party loan received	-	-	10
Bounce back Loan repayment	(4)	(6)	(11)
Proceeds from issuing share capital, net of issue costs	1,587	-	2,976
Net cash inflow/(outflow) from financing activities	1,357	(248)	2,511
Net (decrease) in cash and cash equivalents	(1,243)	(3,450)	(3,802)
Cash and cash equivalents at beginning of period	1,259	5,061	5,061
Cash and cash equivalents at end of period	16	1,611	1,259

NOTES TO THE INTERIM RESULTS

For the six-months ended 30 June 2024

1. About Celadon Pharmaceuticals Plc

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

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

2. Basis of preparation

These interim Condensed Consolidated Financial Statements and accompanying notes have neither been audited nor reviewed by the auditor, do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 and do not include all the information and disclosures required in annual statutory financial statements. They should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2023 which are available on the Group's website. Those statutory accounts were approved by the Board of Directors on 13 May 2024 and have been filed with Companies House. The report of the auditors in those accounts was unqualified and also did not contain a statement under section 498(2) or (3) of the Act.

The interim financial information has been prepared under the historical cost convention except for certain items that are shown at fair value as disclosed in the accounting policies.

The financial statements are presented in Sterling which is the functional currency of the group and all values are rounded to the nearest Pound Sterling Thousand (£000s).

The accounting policies applied by the Group in these interim condensed consolidated financial statements are the same as those applied by the Group in the audited consolidated financial statements for the year ended 31 December 2023 and those which will form the basis of the 2024 Annual Report.

These interim Condensed Consolidated Financial Statements were approved by the Board of Directors on 27 September 2024.

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a. Basis of consolidation

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

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

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

The Group was formed when the Company acquired the shares of Celadon Property Co Limited in March 2022. This transaction was accounted for as a reverse takeover. For further detail of this transaction, and the accounting for it, please see the financial statements for the year ended 31 December 2022.

b. Going concern

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

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

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

At 30 June 2024 the Group had £16k of cash and net assets of £2.5 million.

The Group is expected to produce c.£1.5m worth of medicinal cannabis per year from Phase 1 of its facility in the UK. The Group has recently entered into a strategic collaboration with Valeos that is anticipated to allow it to supply product to its existing European customer which could generate up to £8.7m of revenue per annum. Valeos is expected to commence cultivation for Celadon's European customer in Q1 2025.

The Group has received £2.65m of cash (gross of fees) from equity subscriptions made between May and September 2024 with a further £0.4m due to the Group. In addition, the Group currently has access to a £7m Committed Credit Facility which is due to expire at the end of November 2025.

Based on the current forecasts of the Company, the cash resources available to the Company are expected to finance the working capital requirements of the Company through to December 2024, with the Company continuing to manage its cash position and assuming careful creditor management.

Having prepared budgets and cash flow forecast covering the going concern period until September 2025, which have been stress tested by creating a number of different scenarios in which a number of the assumptions were adversely tweaked down - such as to assume: a) no revenues being generated from the European customer until September 2025, b) cost increases of 10%, and c) a combination of the two, the Directors believe that with the Committed Credit Facility, the Group has sufficient resources to meet its obligation for a period of at least 12 months from the date of approval of these interim condensed consolidated financial statements.

As noted, however, this going concern assumption is dependent on access to funds under the Group's Committed Credit Facility. As publicly disclosed on 12 August 2024, the Group has experienced delays in receiving funds requested under the Committed Credit Facility. The provider of the Committed Credit Facility has reaffirmed his commitment and intention to provide funds to the Group.

Given the risks of continued delay in receiving funds drawn down under the Committed Credit Facility, the Group is in discussion with a number of potential lenders about refinancing the Group's Committed Credit Facility.

Taking these matters into consideration, the Directors consider that the continued adoption of the going concern basis is appropriate, having prepared cash flow forecasts for the coming 12 months, but note that if the group is unable to access funds under the Committed Credit Facility, or from refinancing this facility, it would represent a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

3. Accounting policies

Details of significant accounting policies are set out below.

a. Revenue Recognition

Revenues relate to the supply of dried cannabis flower and cannabis-based products.

Revenue from the supply of cannabis flower and cannabis-based products is recognised at the point in time when the performance conditions in the contract with the customer are met, which is when the products have been shipped or made available to the customer.

b. Biological Assets and Agricultural Products

The Group cultivates high-THC cannabis in a highly controlled indoor environment to a Good Agricultural and Collection Practices standard. When harvested the plants need to be dried before cannabinoid oils can be extracted following Medicines and Healthcare products Regulatory Agency ("MHRA") approved Good Manufacturing Practices.

The Group sells the cannabinoid products to pharmaceutical companies engaged in research and development and to medical cannabis companies. It is recognised that accounting for biological assets is an area which includes key sources of estimation uncertainty.

Given the relatively short lifecycle of cannabis plants with plants, with plants growing from cuttings to mature plants ready for harvesting typically within 14-16 weeks, none of the Group's biological assets is considered to be a non-current asset. Drying plants and extracting cannabinoid oils are production processes rather than a biological process.

Until the point of harvest, plants are categorised as Biological Assets, and are valued on the basis of the cashflows that are expected to arise from the sale of the finished products less the anticipated cost of getting the plants to be finished products. After harvest, the plants are categorised as Agricultural Products.

Plants are therefore transferred to inventory at their fair value at the point of harvest. This fair value becomes the deemed cost of the inventory under IAS 2. Inventories are stated at the lower of this deemed cost and net realisable value.

c. New and amended accounting standards

New and amended standards and interpretations applied

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

- Amendments to IFRS 16: Leases (effective 1 January 2024)
- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2024)

- Amendments to IAS 1: Presentation of Financial Statements (effective 1 January 2024)

The Company has considered the IFRS's in issue but not yet effective and do not consider any to have a material impact on the Company, though IFRS 18 (which is to be effective for annual reporting periods beginning on or after 1 January 2027) may impact on how the Company's results are presented.

4. Use of critical judgements and key accounting estimates

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

Critical Judgements

a. Biological Assets and Agricultural Products

The Group undertakes agricultural activities and is required to recognize the fair value of its biological assets. Judgement is required in determining this fair value. In the absence of an appropriate comparator in the market for the Group's biological assets, the Board has used its judgement in determining the fair value of the biological assets based on the anticipated cashflows arising from those biological assets. This judgement requires a judgement to be exercised of the anticipated yield from the biological assets being cultivated at the balance sheet date, less the costs that would be required to get those biological assets to their saleable state.

b. Tax Losses

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

Key Accounting Estimates

c. Research & Development Tax Credits

The Group has submitted its first R&D tax credit application to HMRC totalling £269k relating to 2021 activities. Elements of the R&D claims required judgement by management. At the date of these financial statements £269k had been received by the Company in respect of the year to 31 December 2021. Using the same methodology, the estimated R&D claim for the years to 31 December 2023 and 2022 are £236k and £412k respectively.

5. Revenue

The Group recorded revenue in the 6 months ended 30 June 2024 of £63k (6 months ended 30 June 2023: £8k; year ended 31 December 2023: £75k) from the sale of cannabis-based products to pharmaceutical companies and medical cannabis companies.

6. Net finance costs

	June 2024	June 2023	31 December 2023
	Unaudited	Unaudited	
	£'000	£'000	£'000
Finance (charge) on leased assets	(296)	(289)	(581)
Finance (charge) on external loans	(1)	(0)	(1)
Unwind of discount on Site Restoration Obligation	(8)	(8)	(16)
Unwind of Interest on Harley St Debtor	13	-	-
Finance income on bank deposits	4	26	32
	(288)	(271)	(566)

7. Profit on Disposal of Harley Street (CPC) Limited

On 8 March 2024, the Group disposed of its investment in Harley Street (CPC) Limited for a consideration of £500,000 payable over three years. At the time of the disposal, the only activity conducted by Harley Street (CPC) Limited was the operation of a CQC registered clinic. The assets relating to the CANPAIN Trial had been transferred to Celadon Property Co Limited during 2023.

Effect of the disposal of Harley Street (CPC) Limited on the financial position of the Group

	June 24
	£'000
Trade and other receivables	13
Trade and other payables	(23)
Net (liabilities) divested	(10)
Fair value of consideration receivable	425
Carrying value of net liabilities disposed of	10
Gain on disposal	435

8. Loss per share

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

June 2024	June 2023	31 December 2023
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	Unaudited £'000	Unaudited £'000	£'000
Loss attributable to the owners of the Company	(2,393)	(4,301)	(7,140)
Weighted average number of ordinary shares in issue	64,619,650	61,669,773	61,893,906
Basic and diluted loss per share	(3.7p)	(7.0p)	(11.5p)

9. Fair value of biological assets and agricultural products

<u>Fair value of biological assets</u>	£'000
At 30 June 2023	-
Changes in fair value less estimated sale costs	108
Decreases attributable to harvest	(68)
At 31 December 2023	40
Changes in fair value less estimated sale costs	375
Decreases attributable to harvest	(286)
At 30 June 2024	129

	£'000
Changes in fair value of biological assets	375
Inventory transferred to cost of sales at fair value	(37)
Biological assets transferred to agricultural products at fair value	(249)
Net IAS 41 valuation movement on biological assets	89

10. Trade and other receivables

	June 2024 £'000	June 2023 £'000	31 December 2023 £'000
Gross Trade receivables	73	-	75
Less: Expected Credit Allowance	-	-	-
Net Trade Receivables	73	-	75
Deferred consideration	133	-	-
Prepayments	230	390	300
VAT receivable	138	154	118
R&D tax recoverable	648	412	648
	1,222	956	1,141

11. Loans and borrowings

	June 2024 Unaudited £'000	June 2023 Unaudited £'000	31 December 2023 £'000
Current liabilities			
Bounce back bank loan	(10)	(10)	(10)
Revolving credit facility	(11)	-	(10)
Loans and borrowings	(21)	(10)	(20)
Lease liabilities	(64)	(56)	(54)
	(85)	(66)	(74)
Non-current liabilities			
Bounce back bank loan	(10)	(19)	(14)
Lease liabilities	(4,684)	(4,565)	(4,629)
	(4,694)	(4,584)	(4,643)

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

12. Subsequent Events

On 11 September 2024, the Group announced that it had entered into a Strategic Collaboration with Valeos Pharma A/S ("Valeos"). Under the terms of the agreements, the Group will licence certain of its genetics for cultivation by Valeos. This will enable Valeos to support the Group through the manufacture of cultivated medicinal cannabis which will accelerate Celadon's supply of pharmaceutical grade EU-GMP cannabis Active Pharmaceutical Ingredients to its existing and prospective European customers. The Group had also entered into a know-how licence agreement whereby the Group will use its knowledge and expertise in facility design, cultivation techniques and operating processes to seek to increase the yield and quality of cannabis grown by Valeos.

On 11 September 2024, the Group announced that it had raised a further £1.05 million of equity through a placing of 2,625,000 new ordinary shares of 1p each at a placing price of £0.40 per share.



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