Company Registration No. 10776788 (England and Wales)

GRAFT POLYMER
COMBINE INCOMPATIBLE

ANNUAL REPORT & FINANCIAL STATEMENTS for the period ended 31 December 2021

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Company Information

Directors	Roby Zomer Victor Bolduev Pavel Kobzev Alex Brooks – appointed 21 December 2021 Yifat Steuer – appointed 21 December 2021
Company Secretary	Anthony Eastman – appointed 1 July 2021
Registered Office	Eccleston Yards 25 Eccleston Place London, SW1W 9NF
Registered Number	10776788
Brokers	Turner Pope Investments (TPI) Ltd 8 Fredrick's Place London, EC2R 8AB
Independent Auditor	PKF Littlejohn LLP 15 Westferry Circus London, E14 4HD
Solicitors	Memery Crystal 165 Fleet Street London, EC4A 2DY
Bankers	HSBC Bank Plc 153 North Street Brighton, BN1 1SW
Share Registrars	Share Registrars The Courtyard 17 West Street Farnham, GU7 7DR

Chairman's Statement

It gives me great pleasure to deliver my inaugural Chairman's Statement for Graft Polymer (UK) Plc ('Graft Polymer' of the 'Company' or the 'Group') following our Initial Public Offering ('IPO') in January this year. Graft Polymer has made significant progress since its inception in 2017 when it was established by a group of polymer technology experts and venture capitalists to develop polymer modification and drug delivery systems. Having developed a proprietary set of polymer modification technologies, which uses recycled raw materials and a closed loop system to reduce waste, our technology can improve existing products and processing methodologies by enhancing performance, simplifying manufacturing, reducing material consumption, widening the choice of feedstocks, and reducing costs. Our motto, "*combine the incompatible*", reveals the essence of Graft Polymer's business; the use of a diverse range of modification technologies to combine immiscible and incompatible components in polymer composites.

Being the highly innovative business that we are, significant progress was made leading up to our IPO having already introduced over 50 products to the market. Commercial sales were underway, global distribution relationships were established, and a licence agreement with Drug Delivery System ('DDS') platform IP to bio-pharma company MGC Pharmaceuticals was achieved. Our IPO, although a very exciting achievement, was a stepping-stone to the next phase as we continue this journey to develop new and innovative polymer modification technologies, both in-house and in conjunction with key industry players and customers.

COMPANY'S PROGRESS AGAINST IPO

We were thrilled with the support from investors at IPO, successfully raising net £4.15 million. This funding will position us to achieve the key objectives highlighted at the time of listing, including:

- Additional production line and further expansion: the Group's research and production facility in Slovenia is to be expanded to meet customer demand, with an overall expansion in capacity of around 100 per cent. compared with current volume;
- Investment in a HACCP and food grade 'GMP' certification at the Group's facility in Slovenia, where the Group will develop active pharmaceutical ingredients and DDS in its research and development laboratories;
- Lab upgrades and research and development costs and future IP registration: the Group expects to upgrade a number of its production lines to meet specific customer production and research and development needs; and
- Sales and marketing and general corporate purposes: the expected increase in the Group's sales over the course of the next two years is likely to lead to an increase in both inventory and marketing opportunities.

One objective set out and achieved was the recent granting of a Hazard Analysis and Critical Control Point ('HACCP') certificate at our R&D facility in Slovenia. The grant of this certificate to the Group's GraftBio division is a major milestone for your company which will enable Graft Polymer to enter the Business-to-Consumer ('B2C') market and commercialise its IP for bio/pharma applications, developing active pharmaceutical ingredients and drug delivery platforms for use in the food supplement market, thereby introducing a further revenue stream to its business.

Again, in line with the objectives set out at IPO, we have been recently granted several patents applied for, a critical element of our intellectual property strategy and one which will ensure the defence of profitability long into the future. Other patents have been, and will continue to be, applied for across jurisdictions which will only serve to solidify the value of our IP and our position in the industry.

Looking to the months ahead, we are confident of our strategy and our investment in production and laboratory equipment to support the growth of the Group continues allowing the ongoing development of new technologies to provide products and solutions to help customers improve their existing products and offer new product ranges. We have made pre-payments on tailor-made equipment which, due to the movement in steel prices, we will buy at a better price than originally planned, that will double Graft Polymer's production capacities, which when received and fully operational, will enable us to react quickly to market demand and position us as the leader in our field. As we announced recently, the Group has had confirmation from its suppliers of delivery of a number of pieces of this new equipment to Graft Polymer's research laboratory in Slovenia in the coming weeks. In February, in preparation to meet current and future demand, we moved to a two-shift operation at our Slovenia production facility to ensure order fulfilment. With the planned investment, full production capacity at the existing facilities will result in an output of 6,000 tonnes of product per annum, up from the current 4,000 tonnes per annum; a 50% boost to our production capacity and one which will further expand our product range, and in turn our distribution network, which I already consider the most comprehensive, innovative, and flexible product ranges in the field of polymer modification.

Our Slovenian site is now operating on a positive cash inflow through organic growth alone.

The next 12 to 18 months should also see us entering collaborations for mutual development and production of grafted products. This will help satisfy increasing demand on major international companies for new and enhanced products, with a particular focus on automotive projects where we have already undertaken a number of successful R&D projects with the likes of Cooper Standard Automotive Inc., Celenese Corporation and Dynasol Elastomeros, S.A.U, amongst other global corporations. In addition, investment in a food grade good manufacturing practice ('GMP') plant and R&D laboratories in Slovenia is planned to allow for the expansion of the Graft Polymer's GraftBio division. The GMP plant and laboratories will allow the Company to further develop these platforms based on customers' specifications. We aim to have the Group as a whole operating on a positive cash inflow as of July 2023.

OUTLOOK

Our objective with the IPO was to raise capital to make improvements to our processes at our facilities and strengthen our IP thereby creating value for our shareholders. I believe with the achievements that we have made so far, including the patent award and the HAACP certificate and the new equipment which is en route to us, we have created a very strong foundation in the first few months of trading that will only serve to benefit us in the long-term. With a broad range of proprietary technologies and techniques, which we believe are broader than our peers, and a highly experienced team in the polymer industry to deliver them, I look forward to sharing updates and progress with you over the coming weeks and months as we continue to deliver on our strategy.

Finally, I would like to take this opportunity to thank the Board, management, and R&D team for their hard work over recent months as we look to the future with confidence.

R. Zomer.

Roby Zomer
Non-Executive Chair

Board of Directors and Senior Management

BOARD OF DIRECTORS

Roby Zomer – Non-executive Chair

Roby Zomer is the Non-Executive Chair of the Company, having been involved in the Group's business since its inception. Roby brings more than two decades of experience in science, leadership, business creation and operations and global development strategies, all in cutting-edge industries, and at the highest governmental levels. His career has spanned multiple disciplines and areas of expertise, beginning with medical training at leading Israeli medical institutions and shifting to technological development and logistics of personnel deployment during his military service in the Israel Defence Force.

Roby's first company, Green City, focussed on the idea of promoting fuel alternatives and clean water technology. Green City rapidly became a global ambassador company for Israel and was purchased by Rafael, Israel's government-owned military technology hub, as it was determined to be a strategically significant asset.

He joined MGC Pharmaceuticals Limited as co-founder and Chief Technical Officer, and now serves as its Managing Director and Chief Executive Officer. MGC Pharmaceuticals Limited is an emerging phyto-pharma company with a focus on phytocannabinoids, the therapeutic elements of the cannabis plant. This has led to a seven-year period where Roby broadened his understanding of technological development and pharmaceutical regulation and has led to a return for Roby to agroscience, on the path to shaping the company into a fully-fledged biopharmaceutical company with market-approved products.

Victor Bolduev – Chief Executive Officer and Chief Technical Officer

Victor is the founder, CEO and CTO of the Group, with more than 30 years' experience in industrial sectors, more than 20 years working in the polymer industry. Victor brings expert experience in the polymer industry, leadership, value creation and cutting-edge innovation.

During this time, Victor has worked in various polymer modification companies in Russia, Thailand and Slovenia Victor is a non-executive director for a number of companies, including Victor Bolduev IP and Polymer Innovations Inc. He is the author of 11 patents relating to polymer modification and drug delivery systems.

Victor graduated from St Petersburg University and Tashkent Military's University (in each case with Honours). He is known as a polymer chemist who has developed multiple innovative technologies and product brands in the polymer modification and bio sectors.

Yifat Steuer – Executive Director and Chief Financial Officer (CFO)

Yifat Steuer, qualified as a chartered accountant with Deloitte before moving into industry. She has over 20 years' experience as a well-versed CFO ranging from global blue-chip companies to hands-on implementation in SMEs and start-ups. She has worked internationally for the majority of her career at firms including Johnson & Johnson and GlaxoSmithKline. While at Marken, Yifat was the Chief Accounting Officer heading the global shared services accounting and payable teams. She led vendor due diligence for the sale of Marken to UPS. As part of her community contribution, Yifat took a 9-month assignment as the CFO and Treasurer of the British Transport Police Authority. She has a proven track record in pharmaceuticals, manufacturing, logistics, distribution, medical technology, and digital health industries.

Board of Directors and Senior Management

continued

Pavel Kobzev – Executive Director and Chief Marketing Officer (CMO)

Pavel Kobzev serves as the Chief Marketing Officer of the Group, with over 10 years' experience in project management and market analysis. He served in the Israeli Defence Forces Elite Intelligence 8200 unit as Managing Operations Leader and has expertise in the security solutions and design solutions and design industries.

Pavel began his career at Magal, an intelligent security company in Israel, where he served as a field engineer responsible for managing a team that designed innovative security solutions for products in the information technology and physics fields, while carrying out market analysis in connection with these solutions. The team was responsible for a number of multi-million-pound projects, including the implementation of the smart fence solution at the Israeli border, including software updates.

Alexander (Alex) Brooks – Independent Non-Executive Director

Alexander Brooks is an experienced capital markets professional, having worked in a range of roles primarily in public equity markets but also including exposure to private markets and to debt securities. Alexander has worked as a buy-side and sell-side analyst at a number of large financial institutions, including JPMorgan and UBS, and is currently a Senior Equity Analyst with Canaccord Genuity (UK). He focusses on industrial technology companies in several sectors, notably sustainability, energy and energy transition, and chemicals.

SENIOR MANAGEMENT

Anthony Eastman – Company Secretary

Anthony Eastman is a member of the CAANZ and ICAEW and a current Partner at Orana Corporate LLP. Anthony has a number of years' experience in financial management and corporate advisory services, primarily in the natural resources sector, along with extensive experience in the public company environment, having been a director and company secretary of a number of ASX and AIM junior mining and oil & gas focused companies.

He has relevant management experience having previously worked with Ernst & Young and CalEnergy Gas Ltd, a subsidiary of the Berkshire Hathaway Group of Companies in both Australia and the United Kingdom.

Directors' Report

The Directors present their report with the audited financial statements of Graft Polymer (UK) plc ("the Company") and its subsidiaries together "the Group" for the seven month period ended 31 December 2021. A commentary on the business for the period is included in the Chairman's Statement on pages 3 to 4. A review of the business is also included in the Strategic Report on pages 11 to 16.

DIRECTORS

The Directors of the Company during the period and their beneficial interest in the Ordinary shares of the Company as at 31 December 2021 were as follows:

Director	Position	Appointed	Resigned	Ordinary shares	Warrants
Roby Zomer[1]	Non-Executive Chair	18-May-17	–	4,715,947	–
Victor Bolduev	CEO / CTO	18-Sep-17	–	29,500,000	–
Pavel Kobzev	CMO & Executive Director	25-May-19	–	1,000,000	–
Yifat Steuer	CFO & Executive Director	21-Dec-21	–	–	–
Alex Brooks	Non-Executive Director	21-Dec-21	–	–	–
Anthony Eastman[2]	Executive Director	18-May-17	21-Dec-21	2,000,000	–
Tim Wise[3]	Non-Executive Director	23-May-19	21-Dec-21	107,500	–

1 4,250,000 Ordinary shares held by Roby Zomer were held by Freya Holding Limited and 465,947 were held by Sputnik Enterprises Limited, entities in which Roby Zomer has a beneficial interest in.

2 These Ordinary shares are held by Tournesol Consulting Limited an entity in which Anthony Eastman has a beneficial interest in.

3 These Ordinary shares are held by Tolle Investments Pty Ltd, an entity in which Tim Wise has a beneficial interest in.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, the total number of issued Ordinary Shares with voting rights in the Company was 70,000,000. Details of the Company's capital structure and voting rights are set out in note 16 to the financial statements.

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at the date of approval of this report, noting total shares on issue as at the date of approval of this report being 104,097,299.

Party Name	Number of Ordinary Shares	% of Share Capital
Victor Bolduev	30,454,612	29.26
Alba Capital Limited	13,935,020	13.39
Platypus Assets Pty Ltd	6,250,000	6.00
Premier Miton	6,050,000	5.81
Chitta Lu[1]	4,576,163	4.40

1 Subsequent to period end, Roby Zomer transferred 4,576,612 shares from Freya Holdings Limited to Chitta Lu, a company in which he has a beneficial ownership.

FINANCIAL INSTRUMENTS

Details of the use of the Company's financial risk management objectives and policies as well as exposure to financial risk are contained in the Accounting policies and note 19 of the financial statements.

GREENHOUSE GAS (GHG) EMISSIONS

The Group is aware that it needs to measure its operational carbon footprint in order to limit and control its environmental impact. However, given the very limited nature of its operations during the period under review, it has not been practical to measure its carbon footprint.

The Group has not made separate disclosures relating to energy consumption & efficiency as the group consumed less than 40,000 kWh of energy during the period.

In the future, the Group will only measure the impact of its direct activities, as the full impact of the entire supply chain of its suppliers cannot be measured practically.

DIVIDENDS

The Directors do not propose a dividend in respect of the period ended 31 December 2021.

FUTURE DEVELOPMENTS AND EVENTS SUBSEQUENT TO THE YEAR END

Further details of the Company's future developments and events subsequent to the period-end are set out in the Strategic Report on pages 11 to 16.

CORPORATE GOVERNANCE

The Governance report forms part of the Director's Report and is disclosed on pages 17 to 19.

GOING CONCERN

The Company's business activities, together with facts likely to affect its future operations and financial and liquidity positions are set out in the Chairman's Statement and also note 2.3 of the financial statements. In addition, note 19 to the financial statements disclose the Company's financial risk management policy.

The Directors, having made due and careful enquiry, are of the opinion that the Company and the newly formed group have as a result of the successful IPO and significant funds raised, adequate working capital to execute its operations over the next 12 months. As a result, the Directors have adopted the going concern basis of accounting in the preparation of the annual financial statements.

PRINCIPAL ACTIVITIES

The Company's principal activity in the reporting period was the pursuit of the listing onto the London Stock Exchange in order to capitalise on its developed proprietary set of polymer modification technologies.

AUDITORS

The Company auditors PKF Littlejohn LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report alongside the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK adopted International Accounting Standards.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies with a Standard Listing.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Committee Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible to make a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies with a Standard Listing.

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- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable UK adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Remuneration Committee Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible to make a statement that they consider that the annual report and accounts, taken as a whole, is fair, balanced, and understandable and provides the information necessary for the shareholders to assess the Company's position and performance, business model and strategy.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

STATEMENT OF DIRECTORS' RESPONSIBILITIES PURSUANT TO DISCLOSURE AND TRANSPARENCY RULES

Each of the Directors, whose names and functions are listed on page 6 and 7 confirm that, to the best of their knowledge and belief:

- the financial statements prepared in accordance with UK adopted International Accounting Standards, give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Annual Report and financial statements, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' INDEMNITY PROVISIONS

The Company has implemented Directors and Officers Liability Indemnity insurance.

POLITICAL DONATIONS

The Group has not made any political donations during the period.

This directors' report was approved by the Board of Directors on 28th June 2022 and is signed on its behalf by:

R. Zomer.

Roby Zomer
Non-Executive Chair

Strategic Report

The Directors present the Strategic Report of the Company and the Group for the period ended 31 December 2021.

Section 172(1) Statement - Promotion of the Company for the benefit of the members as a whole

The Directors believe they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company's employees;
- Foster the Company's relationships with suppliers, customers and others; and
- Consider the impact of the Company's operations on the community and the environment.

The Company was established in 2017 and successfully established an innovative research and manufacturing facility in Slovenia. Since then, the Group has developed a proprietary set of polymer modification technologies, which can improve existing products and processing methodologies by enhancing performance, and introduced more than 50 products to the market.

We aim to work responsibly with our stakeholders, including suppliers. The key Board decisions made in the year and post year end are set out below:

Significant events / decisions	Key s172 matter(s) affected	Actions and Consequences
Pursuit of a listing of the Company on a recognised exchange	Shareholders and Business Relationships	Completion of IPO and Admission of the enlarged share capital to the London Stock Exchange leading to greater likely outcomes for shareholders in the future.

Interests of Employees
The Company's Corporate Governance Statement at pages 17 and 20 of this Annual Report sets out (under board responsibilities) the processes in place to safeguard the interests of employees.

Foster business relationships with suppliers, customers and others
Potential suppliers and customers are considered in the light of their suitability to comply with the Company's policies.

Impact of operations on the community and environment
The Company has no current operations that impact upon the community or environment.

Maintain a reputation for high standards of business conduct
The Corporate Governance section of this Annual Report at pages 17 to 20 sets out the Board and Committee structures and Board and Committee meetings held during the year, together with the experience of executive management and the Board and the Company's policies and procedures.

Act fairly as between members of the Company
The Board takes feedback from a wide range of shareholders (large and small) and endeavours at every opportunity to pro-actively engage with all shareholders (via regular news reporting-RNS) and engage with any specific shareholders in response to particular queries they may have from time to time. The Board considers that its key decisions during the year have impacted equally on all members of the Company.

Review of Business in the Period

Operational Review
The Group's principal activity is set out in the Directors' Report on page 9.

During the period under review the Company was primarily concerned with listing on the standard segment of the London Stock Exchange, which was successfully achieved on post year end on 6 January 2022, whilst emerging from the Covid environment in pursuit of expanding its customer reach.

The Group generated revenue of £219,000 during the period (31 May 2021: £520,000) and incurred a loss after tax of £954,000 (31 May 2021: £451,000).

Business Strategy
During the period under review the Company was primarily concerned with listing on the standard segment of the London Stock Exchange, which was successfully achieved on 6 January 2022. The Company then turned its attention to identifying and screening suitable businesses focused on early-stage opportunities in the medical biotechnology sector.

The Group has developed a proprietary set of polymer modification technologies, which can improve existing products and processing methodologies by enhancing performance, simplifying manufacturing, reducing material consumption, widening the choice of feedstocks and reducing costs, and as such during the period, the Company pursued the listing on the standard segment of the London Stock Exchange (LSE).

With the successful Admission to the LSE occurring subsequent to period end on 6 January 2022, the Board expects the Group to continue to develop new and innovative polymer technologies both in-house and in conjunction with key industry players and customers.

Covid-19
The impact of Covid-19 has had a materially adverse effect on the global economy and overall business sentiment, which had seen some of the Group's clients and prospects delaying orders. The Group however sees these impacts lessening towards the end of the period and continues to do so subsequent to period end.

Events since the period end
On 6 January 2022, the Company successful completed in admission to the standard segment of the London Stock Exchange, raising £5,000,000 before costs.

On 18 May 2022 Roby Zomer, a Director, acquired a further 462,500 ordinary shares in the Company at a price of 16.0052 pence per share through Sputnik Enterprises Ltd (a Company in which Mr Zomer holds a 50% beneficial interest). This increased Mr Zomer's shareholding in the Company to 6.08% of the issued share capital.

The Slovenian operation has recently become cash flow positive through organic growth alone. As set out at the time of admission, part of the Group's strategy was to invest in production and laboratory equipment to support growth, allowing the continued development of new technologies. The Group has had confirmation from its suppliers of delivery of a number of pieces of new equipment to Graft Polymer's research laboratory in Slovenia in the coming weeks. The equipment will enable the Company to double its production capacity and decrease the goods delivery time as well. The delivery of these components will ensure Graft Polymer is well positioned to continue its pioneering and market leading research and technology commercialisation in the polymer modification, biological supplements, and drug delivery systems industry.

Key equipment includes:

- **Microwave Dryer tunnel for porous granules drying process** – Pivotal to the optimisation and commercialisation of the Group's high value, low competition GRAFTAPOR and GRAFTAKIT products. The Microwave Dryer increases the capacity from 150kg per shift to 350kg per shift by significantly reducing the drying time of porous granules, therefore, reducing the cost of the product to customers by up to 30% and widening the market for these two products.

- **Custom-made equipment for manufacturing of high-quality Nanoemulsions for Drug Delivery Systems and Bio Supplements** – The equipment will allow the Group's GraftBio Division to deliver higher-level advanced Bio/Pharma manufacturing solutions based on Graft Polymer **Drug Delivery Systems** developments.

- **Ozone/Plasma Polymer Modification module** – Offers the potential to transform current methods of Fluoropolymers modification which can be expensive, unsafe, and environmentally unfriendly. Once proven, the Ozone/ Polymer Modification module will revolutionise the Fluoropolymer sector, due to its industrial scalability and efficient production. It is currently anticipated that two major classes of products can be modified, the first being powder coatings for use in responsible applications where high chemical resistance is a priority and the second in nano alloys to increase abrasion resistance, temperature resistance, impact strength and reduce friction coefficient.

The Group will be the first to deliver this product, which with capacity of 200kg per hour, will provide it with a first-mover advantage over the competition and open new revenue streams in the long term.

The above products were ordered in April 2022 and form part of the Group's announced strategy of investing in production and laboratory equipment to support the growth of the Group, which will allow it to continue to develop new technologies to provide products and solutions to help its customers improve their existing products and offer new product ranges.

The Group has also been granted a Hazard Analysis and Critical Control Point ("HACCP") certificate at the Group's R&D facility in Slovenia. The grant of this certificate to the Group's GraftBio division is a major milestone for the Company which will enable Graft Polymer to enter the Business-to-Consumer ("B2C") market, thereby introducing a further revenue stream to its business. The Grant of HACCP certificate represented the delivery of a key operational milestone as stipulated at the time of the IPO.

In addition the Group was granted several patents applied for, a critical element of the Company's intellectual property strategy and one which will ensure the defence of profitability long into the future. Other patents have been, and will continue to be, applied for across jurisdictions which will only serve to solidify the value of the Group's IP and position in the industry.

Financial review

Results for the period to 31 December 2021
The Consolidated Statement of Comprehensive Income for the period shows a loss of £954,000 (31 May 2021: £451,000) and the Consolidated Statement of Financial Position at 31 December 2021 shows net assets of £812,000 (31 May 2021: £1,247,000) for the Group.

Net cash outflow from operations for the period was £254,000 (31 May 2021: £166,000 outflow), and cash at period end was £598,000 (31 May 2021: £39,000).

Key Performance Indicators
Appropriate key performance indicators will be identified in due course as the business strategy is implemented post the successful listing on the LSE subsequent to period end, however pre-IPO was the conservation of cash in the lead up to the IPO.

Position of Company's Business

At the period end

At the period end the Company's Statement of Financial Position shows net assets totalling £812,000 (31 May 2021: £1,247,000). The Company has few liabilities and is considered to have a strong cash position at the reporting date.

Environmental matters

The Board contains personnel with a good history of running businesses that have been compliant with all relevant laws and regulations and there have been no instances of noncompliance in respect of environmental matters.

Employee information

At the end of the period, the Company had one female Director and three female employees out of a total of ten employees across the Group (including Directors). The Company is committed to gender equality and, as future roles are identified, a wide-ranging search would be completed with the most appropriate individual being appointed irrespective of gender.

Social/Community/Human rights matters

The Company ensures that employment practices take into account the necessary diversity requirements and compliance with all employment laws. The Board has experience in dealing with such issues and sufficient training and qualifications to ensure they meet all requirements.

Anti-corruption and anti-bribery policy

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010. The Company has conducted a review into its operational procedures to consider the impact of the Bribery Act 2010 and the Board has adopted an anti-corruption and anti-bribery policy as part of its Admission to the LSE post period end.

Principal Risks and Uncertainties

The Group operates in an uncertain environment and is subject to a number of risk factors. The Directors consider the following risk factors are of particular relevance to the Group's activities although it should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply.

The Group is in an early stage of its operations and there is no guarantee of future growth

Whilst the Group, having been formed in 2017, has made some commercial sales and undertaken research and development activities for a number of clients, the business remains at an early stage of development. A number of operational, strategic and financial risks are associated with early-stage companies. In particular, the Group's future growth and prospects will depend on its ability to continue to manufacture products for applications which have sufficient commercial appeal, to source the raw materials, manage growth and continue to improve manufacturing, operational, financial and management information and quality control systems on a timely basis, whilst at the same time maintaining effective cost controls.

Any failure to improve manufacturing, operational, financial and management information and quality control systems in line with the Group's growth could have a material adverse effect on its business, financial condition and results of operations.

Further, there can be no certainty that the Group will achieve increased or sustained revenues, profitability or positive cash flow from its operating activities within the timeframe expected by the Board, or at all. The development of the Group's revenues is difficult to predict and there is no guarantee that it will generate any material revenues in the foreseeable future. The Group has a limited operating history upon which its performance and prospects can be evaluated. Any unexpected decline in the growth of revenue without a corresponding decline in operating costs, or an inability to manage growth effectively, could result in the operating results being materiality and adversely affected.

Technological advances may make the Group's products less attractive or obsolete
The polymer industry is a highly active area in research and development, and it is expected that technological advances in the industry will continue to occur and new technologies may develop. Advances in the process of producing polymers and associated materials could allow the Group's competitors to produce products faster and more efficiently and at substantially lower cost than the Group, which could make the Group's products less attractive or obsolete. If the Group is unable to adapt or incorporate technological advances into its operations, its production facilities or develop new products the business, financial condition and prospects of the Group could be materially and adversely affected.

The business of the Group may be materially and adversely affected by competition
The Group's business focusses on specialty chemicals and involves developing modified polymer solutions based on proprietary production methods. The development of new products and solutions can take a significant amount of time and resource. The Group may face significant competition from organisations which have greater capital resources than it and/or which have a product offering competitive to that of the Group, to the detriment of the Group. The polymer industry contains a number of companies with manufacturing capabilities that are using alternative production approaches and they may outpace the Group. There is no assurance that the Group will be able to compete successfully in the marketplaces in which it currently operates, or those it wishes to expand into and, should it fail to do so, the business, financial condition and prospects of the Group could be materially and adversely affected.

The Group may not be able to develop distribution channels as effectively as anticipated
In addition to its direct sales to customers, the Group has secured distribution relationships with multiple partners globally, including distributors/agents in Europe, India, Mexico, USA and Russia. These distributors provide critical channels to market for the polymer modifier industry, providing quality assurance for potential customers as well as market volume. The Directors expect to be able to secure similar arrangements with distributors in North America and other international customers. However, if this does not arise either because of a lack of products or product functionality, or because the Group is unable to agree commercial terms, the ability of the Group to capture market share and grow revenue may be materially impacted which could materially and adversely affect the business, financial condition and prospects of the Group.

The Group is dependent on a small number of customers
The Group is reliant on maintaining a relationship with a small number of customers. In the event that the entities for whom the Group carries out research and development, and whose products the Group uses its technology to enhance, are unable to grow their revenue streams, suffer from supply chain disruptions or become subject to solvency or going concern issues, the volume of products supplied to and services carried out for such entities by the Group may be scaled back or cancelled and the Group may lose part of its revenue stream which would have a material adverse effect on the business, financial condition and prospects of the Group.

The Group may not be able to fully establish, protect or enforce its intellectual property rights
The Group was founded by a group of chemists, technology investors and venture capitalists, building on more than 20 years of work from its principal technologists. The Group has been developing innovative polymer modification technologies and product applications to satisfy very specific market requirements across many polymer fields to provide the best solution. The Group has an ongoing R&D program that generates proprietary know-how across a range of polymer markets, primarily based on its core technologies of proprietary co-agents, polymeric grafting, redox initiating systems, and polymeric alloying. These techniques allow the Group to generate a wide range of properties for finished materials.

The continuing ability of the Group to establish, protect and enforce its proprietary intellectual property rights (including but not limited to patents, know-how and trade secrets) is fundamental. The intellectual property on which the Group's business comprises of a combination of existing patent applications and keeping confidential proprietary know-how.

Whilst to date the Group has never had any legal challenges to its intellectual property rights, no assurance can be given that any pending patent applications or any future patent applications will result in granted patents, that any patents will be granted on a timely basis, that the scope of any patent protection will exclude competitors or provide competitive advantages to the Group, that any of the Group's patents will be held valid if challenged, or that third parties will not claim rights in, or ownership of, the patents and other proprietary rights held by the Group. Any disclosure of confidential information into the public domain, or to third parties, could allow the third parties to access confidential information and use it in competition with the Group. In addition, others may independently discover the confidential information of the Group. Should these events arise, the financial position or prospects of the Group may be materially and adversely affected.

The Group's products may not be widely adopted and demand may not match expectations

Although there are numerous potential applications for the Group's portfolio of products and potentially a large global market, there is no guarantee that they will become widely accepted for use on a commercial scale and in addition it is possible that new products may supersede the Group's existing products. Even if various products in the Group's portfolio become widely accepted, industry may be unwilling to disrupt its existing manufacturing processes or take longer to do so than anticipated and the conversion of current interest into wide scale commercial adoption may therefore either fail to materialise or take longer than anticipated. The Group may also be unsuccessful in its effort to realise commercial and financial benefits from this wider acceptance. In the event that any or all of these risks materialise to a significant extent, the financial prospectus and business of the Group may be materially and adversely affected.

Composition of the Board

A full analysis of the Board, its function, composition and policies, is included in the Governance Report.

Capital structure

The Company's capital consists of ordinary shares which rank pari passu in all respects which are traded on the Standard segment of the Main Market of the London Stock Exchange. There are no restrictions on the transfer of securities in the Company or restrictions on voting rights and none of the Company's shares are owned or controlled by employee share schemes.

There are no arrangements in place between shareholders that are known to the Company that may restrict voting rights, restrict the transfer of securities, result in the appointment or replacement of Directors, amend the Company's Articles of Association or restrict the powers of the Company's Directors, including in relation to the issuing or buying back by the Company of its shares or any significant agreements to which the Company is a party that take effect after or terminate upon, a change of control of the Company following a takeover bid or arrangements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that may occur because of a takeover bid.

Approved by the Board of Directors on 28th June 2022 and is signed on its behalf by:

R. Zomer.

Roby Zomer
Non-Executive Chair

Governance Report

Introduction

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Corporate Governance Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies.

Compliance with the qca code

Following completion of the Admission to the LSE which was completed subsequent to period end on 6 January 2022, the Company looked to adopt the Corporate Governance Code for Small and Mid-Size Quoted Companies from the Quoted Companies Alliance, these corporate governance practices are being considered and reviewed to ensure they remain appropriate.

Set out below are the Company's corporate governance practices adopted following the Admission to the LSE.

Maintain governance structures and processes that are fit for purpose and support good decision making by the board

The Board is responsible for the determination of the investment decisions of the Company and for its overall supervision via the investment policy and the objectives that it has set out. At the date of this report, the Board comprises five Directors, three of whom are Executive Directors and two are Non-Executive Directors, reflecting a blend of different experiences and backgrounds.

The QCA Code states that a company should have at least two independent non-executive directors The Board considers that Alex Brooks is independent within the meaning of the QCA Corporate Governance Code. The Board believes that the size and composition of the Board is appropriate given the size and stage of development of the Group and that the Directors brings a desirable range of skills and experience in light of the Group's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision making.

No formal induction process exists for new Directors, given the size of the Company, but the Chairman ensures that each individual is given a tailored introduction to the Company and fully understands the requirements of the role.

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

The Board intends to meet formally at least four times each year to review, formulate and approve the Group's strategy, budgets, and corporate actions and oversee the Group's progress towards its goals, and to ensure the Directors maintain overall control and supervision of the Company's affairs.

The Board maintains regular contact with all its service providers and are kept fully informed of investment and financial controls and any other matters that should be brought to the attention of the Directors. The Directors also have access where necessary to independent professional advice at the expense of the Company.

Subsequent to period end and upon Admission to the LSE, the Company established an Audit and Risk Committee and a Remuneration Committee, each with formally delegated duties and responsibilities and with written terms of reference.

At this stage of the Company's development the Board does not consider it appropriate to establish a Nominations Committee and the Board will take decisions regarding the appointment of new directors as a whole, following a thorough assessment of a potential candidate's skill and suitability for the role. The merits of constituting a separate nominations committee will be kept under review.

On Admission, the Company will not adhere to all of the recommendations of the QCA Corporate Governance Code. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

Audit committee

For the period to 31 December 2021 there was no audit committee in place. From re-admission the Company put in place an audit committee comprising two members, being, Roby Zomer (as Chair), and Independent Non-Executive Director, Alex Brooks which will have primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Enlarged Group is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Enlarged Group's accounting and internal controls.

The committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Enlarged Group is properly monitored and reported. The audit committee will meet not less than two times a year.

Remuneration committee

For the period to 31 December 2021 there was no remuneration committee in place. From re-admission the Company has instituted a remuneration committee comprising two directors, Roby Zomer (as Chair) and Independent Non-Executive Director, Alex Brooks, being responsible for both the review and recommendation of the scale and structure of remuneration for senior management. In reviewing the remuneration policy of the Enlarged Group, this will include any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Enlarged Group.

The Remuneration Committee will meet as and when necessary, but at least twice each year. The members of the Remuneration Committee shall be Roby Zomer and Independent Non-Executive Director Alex Brooks.

Bribery and anti-corruption policy

Subsequent to period end and upon Admission, the Company adopted a Group-wide anti-corruption and bribery policy which applies to the Board, employees of all its subsidiaries and associated persons of the Group. It sets out their responsibility to observe and uphold a zero-tolerance position on bribery and corruption in the jurisdictions in which the Group operates, as well as providing guidance to those working for the Group on how to recognise and deal with bribery and corruption issues and the potential consequences. The Company expects all employees, agency workers, suppliers, contractors, agents, sponsors and consultants to conduct their day-to-day business activities in a fair, honest and ethical manner, be aware of and refer to this policy in all of their business activities worldwide and to conduct business on the Company's behalf in compliance with it. Management at all levels are responsible for ensuring that those reporting to them, internally and externally, are made aware of and understand this policy.

External auditor

PKF Littlejohn were appointed auditors to the Group for the financial period ending 31st December 2021 and have expressed their willingness to remain in office. The auditors were appointed in November 2020. The Audit Committee will meet with the auditor at least twice a year to consider the results, internal procedures and controls and matters raised by the auditor. The Board considers auditor independence and objectivity and the effectiveness of the audit process. It also considers the nature and extent of the non-audit services supplied by the auditor reviewing the ratio of audit to non-audit fees and ensures that an appropriate relationship is maintained between the Company and its external auditor.

As part of the decision to recommend the appointment of the external auditor, the Board considers the tenure of the auditor in addition to the results of its review of the effectiveness of the external auditor and considers whether there should be a full tender process. There are no contractual obligations restricting the Board's choice of external auditor. The Company has a policy of controlling the provision of non-audit services by the external auditor in order that their objectivity and independence are safeguarded.

Internal financial control

Financial controls have been established so as to provide safeguards against unauthorised use or disposition of the assets, to maintain proper accounting records and to provide reliable financial information for internal use.

Key financial controls include:

- a schedule of matters reserved for the approval of the Board;
- evaluation, approval procedures and risk assessment for acquisitions; and
- close involvement of the Directors in the day-to-day operational matters of the Company.

Shareholder communications

The Company uses a regulatory news service and its corporate website (www.eaststarplc.com) to ensure that the latest announcements, press releases and published financial information are available to all shareholders and other interested parties.

The Annual General Meeting is used to communicate with both institutional shareholders and private investors and all shareholders are encouraged to participate. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Financial Statements. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution after it has been dealt with by a show of hands.

Approved on behalf of the Board of Directors by:

Roby Zomer
Non-Executive Chair

Remuneration Report

As at period end, there was no formal remuneration committee, with the board considering matters with regards to remuneration as a whole , however post period end, upon Admission to the LSE, the Company constituted a remuneration committee with appropriate charter.

Remuneration policy

The remuneration policy of the Company was that each director entered into a service agreement with the Group on a salary per annum, with Roby Zomer, Victor Bolduev and Pavel Kobzev also earning a salary under Graft Polymer d.o.o. Since re-admission subsequent to period-end, a remuneration committee has been appointed to reassess an appropriate level of Directors' remuneration and it is envisaged that the remuneration policy will assist to attract, retain and motive Executive Directors and senior management of a high calibre with a view to encouraging commitment to the development of the Company and for long term enhancement of shareholder value. The Board believes that share ownership by Directors strengthens the link between their personal interests and those of shareholders.

The current Directors' remuneration comprises a basic fee and at period end, there was no bonus of long-term incentive plan in operation for Directors.

Subsequent to period end and upon admission to the LSE, the directors were granted options over Ordinary Shares pursuant to a Share Option Scheme, of which are detailed below:

Director	Number of Ordinary Share under option	Weighted Average Exercise Price per Ordinary Share £
Roby Zomer	1,700,000	£0.001
Victor Bolduev	2,200,000	£0.001
Pavel Kobzev	1,600,000	£0.001
Alex Brooks	1,000,000	£0.001
Yifat Steuer	1,673,611	£0.001

One third of the options will vest on satisfaction of the first milestone and two thirds will vest on the satisfaction of the second milestone. The milestones are as follows:

- first milestone:
  - the Company's share price reaching appreciation of 125 per cent. of the Issue Price based on a 15-day volume weighted average price in the period 12 months from the date of Admission; and
  - the generation by the Group of revenue in a twelve-month period of EURO1,000,000 or more.
- second milestone:
  - the Company's share price reaching appreciation of 150 per cent. based on a 15-day volume weighted average price in the period 24 months from Admission; and
  - the generation by the Group of revenue in a twelve-month period of EURO5,000,000 or more.

Directors' emoluments and compensation (audited)

Particulars of directors' remuneration, including directors' shares which, under the Companies Act 2006 are required to be audited, are given in Notes 6 and 13 and further referenced in the Directors' report.

Remuneration paid to the Directors' during the period ended 31 December 2021 was

Director	Base salary £'000	Pension contribution £'000	Share based payments £'000	Total £'000
Roby Zomer	17	–	–	17
Victor Bolduev	71	–	–	71
Pavel Kobzev	32	–	–	32
Alex Brooks	1	–	–	1
Yifat Steuer	5	–	–	5
Anthony Eastman	21	–	–	21
Tim Wise	7	–	–	7
	154	–	–	154

Remuneration paid to the Directors' during the year ended 31 May 2021 was:

Director	Base salary £'000	Pension contribution £'000	Share based payments £'000	Total £'000
Roby Zomer	28	–	–	28
Victor Bolduev	119	–	–	119
Pavel Kobzev	54	–	–	54
Anthony Eastman	36	–	–	36
Tim Wise	12	–	–	12
	249	–	–	249

Pension contributions (audited)

The Company does not currently have any pension plans for any of the Directors and does not pay pension amounts in relation to their remuneration.

The Company has not paid out any excess retirement benefits to any Directors or past Directors.

Payments to past directors (audited)

The Company has not paid any compensation to past Directors.

Payments for loss of office (audited)

No payments were made for loss of office during the year.

UK 10-year performance graph

The Directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company has only been listed post year end, is not paying dividends, is currently incurring losses as it gains scale and its focus during the year ended 31 December 2021 was to seek listing on the LSE. In addition, and as mentioned above, the remuneration of Directors was not linked to performance, and we therefore do not consider the inclusion of this graph to be useful to shareholders at the current time. The Directors will review the inclusion of this table for future reports.

Remuneration Report

continued

UK 10-year ceo table and uk percentage change table

The Directors have considered the requirement for a UK 10-year CEO table. The Directors do not currently consider that including these tables would be meaningful given that the Directors were remunerated for their services however it is not material to be presented under the table. The Directors will review the inclusion of this table for future reports.

Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to shareholder dividends paid. Given that the Company does not currently pay dividends we have not considered it necessary to include such information.

UK Directors' shares (audited)

The interests of the Directors who served during the year in the share capital of the Company at 31 December 2021 and at the date of this report has been set out in the Directors' Report on pages 7 to 10.

Other matters

The Company does not currently have any other annual or long-term incentive schemes in place for any of the Directors other than those issued subsequent to period end and detailed above and as such there are no further disclosures in this respect.

Approved on behalf of the Board of Directors by:

R. Zomer.

Roby Zomer
Non-Executive Chair

Audit Report

Opinion

We have audited the financial statements of Graft Polymer (UK) Plc, (the 'parent company') and its subsidiaries (the 'group') for the period ended 31st December 2021 which comprises the Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of the company's forecast financial information which covers a period of at least 12 months from when the financial statements are authorised for issue. Management judgements and estimates have been challenged and agreed to supporting documentations, such as the review of post period end bank statements, post period end management accounts, and post period end Regulatory News Service (RNS) announcements. We have further assessed the mathematical accuracy of the forecast and compared these to performance of the group post period end. We also assessed the budgets in line in with our understanding of the entity and management plans. We have also considered the impact listing on the London Stock Exchange post period end would have on the forecast including availability of funding.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. The materiality applied to the group financial statements was set at £42,600 (2020: £13,720), with performance materiality set at £29,820 (2020: £9,604).

Materiality has been calculated as 5% of the benchmark of loss for the period, which we have determined, in our professional judgement, to be the principal benchmark within the financial statements relevant to members of the group in assessing financial performance. A benchmark of 70% performance materiality was applied during our audit of the group as we believed this would give sufficient coverage of significant and residual risks within the financial statements.

The materiality applied to the company financial statements was £27,300 (2020: £10,280).The performance materiality was £19,110 (2020:£7,196). For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £2,130 at group level.

We applied the concept of materiality both in planning and performing the audit, and in evaluating the effect of misstatement.

Our approach to the audit

In designing our audit, we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company. We looked at areas requiring the directors to make subjective judgements, for example in respect of treatment of impairment of intangible assets (identified as a key audit matter) , carrying value of investments and intragroup balances (identified as a key audit matter), convertible loan notes and selection of accounting policies, compliance with accounting policies and disclosure in accordance with UK-adopted international accounting standards , the Company's Act 2006 and the listing rules and the consideration of future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatements due to fraud. The company's key accounting function is based in the United Kingdom and our audit was performed by our team in London.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit Report

continued

Key audit matter	How our scope addressed this matter
Impairment of Intangible Assets (refer to note 11) The group's statement of financial position as at 31 December 2021 include intangible assets with a carrying value of £2.1m in respect of capitalised cost relating to "process technology and know-how" under IAS 38. Intangible assets with indefinite useful lives are tested annually for impairment and whenever there is an indication of impairment. An impairment review requires management estimation and judgement in determining the future cash flows. For this reason, as well as the financial significance of the account balance we have assessed this to be a key audit matter with risk around the valuation of the asset.	Our work in this area included: ● Testing for any movement in the value of intangible assets in the period; ● Ensuring the reasonableness of the valuation of intangible assets; ● Obtaining and reviewing the impairment assessment prepared by management; ● Challenging the assumptions used in the model by testing to supporting evidence; and ● Reviewing the disclosures in the financial statements to ensure that they are in line with the requirements of IAS 38. We found the judgements used by directors in their impairment assessment were reasonable and no impairment indicators were noted during our review.
Carrying value of investments and intragroup balances (COMPANY) (refer to note 13 and 25) Investments in subsidiaries and intra group loans are significant assets in the parent company's financial statements. The parent company currently has outstanding receivables due of £302k from its 100% owned subsidiaries. Further the value of Investment in subsidiaries currently stands at £1,304k. Given the continuing losses in subsidiaries there is a risk that the investment and receivable balances are to be impaired due to uncertainty over their recoverability.	Our work in this area included: ● Confirming the ownership of investments; ● Assessment of expected credit losses in accordance with IFRS 9 criteria; ● Consideration of recoverability of investments and intra company loans by reference to underlying net asset values and future income streams; and ● Ensuring disclosures made in the financial statements in relation to critical accounting judgements are adequate. Based on the audit work performed the carrying value of investments and intragroup balances is appropriate.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other /information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit Report

continued

Opinions on other matters prescribed by the companies act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent company financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and industry research.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from the Companies Act 2006, Listing Rules, Disclosure and Transparency Rules, Anti-Bribery Act and Anti Money Laundering Regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
    - enquiries of management
    - review of minutes
    - review of RNS publications
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Board of Directors to audit the financial statements for the period ending 31 December 2021 and subsequent financial periods. Our total uninterrupted period of engagement is one year, covering the period ending 31 December 2021

Prior to our appointment as auditors of the company, we provided services to the company in relation to assisting with the PLC conversion of the entity and professional services rendered in respect of reporting accounting work during the period. No non audit services were provided to the company following our appointment as auditors.

We are satisfied that it does not meet the definition of accounting services under the FRC Ethical Standard which would be subject to an outright prohibition under the FRC Ethical Standard. This is because they do not involve the maintenance of accounting records nor do they involve the preparation of financial statements or other subject matter.

Our safeguards in respect of this non-audit service have centred on the fact that the partner connected to the PLC conversion and reporting accountant work was not involved in the audit engagement in any capacity. The service did not involve making any judgements on behalf of the management. We confirm that this safeguard was applied and that it enables us to conclude that our professional judgement and our audit report are not affected by the provision of the services listed above and we remain independent of the company in conducting our audit.

Comparative information in the financial statements is derived from the company's prior period financial statements which were not audited.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

28th June 2022

Consolidated statement of comprehensive income

For the seven months ended 31 December 2021 and year ended 31 May 2021

	Note	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 (unaudited) £'000
Continuing operations			
Revenue	4	219	520
Cost of sales		(118)	(30)
Gross profit		101	490
Other revenue		1	98
Operational costs	5	(148)	(379)
Administrative expenses	5	(900)	(653)
Operating loss		(946)	(444)
Finance costs	9	(8)	(7)
Loss before taxation		(954)	(451)
Income tax	8	–	–
Loss for the year from continuing operations		(954)	(451)
Total loss for the year attributable to equity holders of the parent			
Other comprehensive income / (loss)		19	(5)
Total comprehensive loss for the year attributable to equity holders of the parent		(935)	(456)
Earnings per share (basic and diluted) - pence	10	(1.36)	(0.65)

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of financial position

Company number 10776788 in England and Wales
As at 31 December 2021

GROUP	Note	As at 31 Dec 2021 £'000	As at 31 May 2021 (unaudited) £'000
Non-current assets			
Property, plant and equipment	12	310	364
Intangible assets	11	2,068	2,068
Other non-current assets		12	12
Total non-current assets		2,390	2,444
Current assets			
Cash and cash equivalents	15	598	39
Trade and other receivables	14	142	86
Total current assets		740	125
TOTAL ASSETS		3,130	2,569
Equity attributable to owners of the parent			
Issued share capital	16	7	7
Share premium	16	942	942
Shares to be issued	16	500	–
Capital reduction reserve	16	2,500	2,500
Foreign exchange reserve		3	(16)
Retained earnings		(3,140)	(2,186)
Total equity		812	1,247
Current liabilities			
Borrowings	17	958	654
Trade and other payables	18	1,360	668
Total current liabilities		2,318	1,322
Total liabilities		2,318	1,322
TOTAL EQUITY AND LIABILITIES		3,130	2,569

The financial statements were approved by the board on 28th June 2022 by:

Yifat Steuer
Director

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of financial position

Company number 10776788 in England and Wales
As at 31 December 2021

COMPANY	Note	As at 31 Dec 2021 £'000	As at 31 May 2021 (unaudited) £'000
Non-current assets			
Intangible assets	11	2,068	2,068
Investments	13	1,304	1,304
Intercompany receivable	25	302	91
Total non-current assets		3,674	3,463
Current assets			
Cash and cash equivalents	15	545	10
Trade and other receivables/	14	112	22
Total current assets		657	32
TOTAL ASSETS		4,331	3,495
Equity attributable to owners of the parent			
Issued share capital	16	7	7
Share premium	16	942	942
Shares to be issued	16	500	–
Capital reduction reserve	16	2,500	2,500
Foreign exchange reserve		(3)	(3)
Retained earnings		(1,520)	(851)
Total equity		2,426	2,595
Current liabilities			
Borrowings	17	958	654
Intercompany payable	25	29	–
Trade and other payables	18	918	246
Total current liabilities		1,905	900
Total liabilities		1,905	900
TOTAL EQUITY AND LIABILITIES		4,331	3,495

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The Company loss for the year was £669,233 (2020: loss of £196,000).

Yifat Steuer
Director

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of cashflows

For the seven months ended 31 December 2021 and year ended 31 May 2021

GROUP	Note	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 (unaudited) £'000
Cash flow from operating activities			
Loss before tax– continuing operations		(954)	(451)
Adjustments for:			
Depreciation		46	109
Finance expenses		8	7
Waiver of interest on convertible loans	17	–	(77)
Foreign exchange loss		–	3
Changes in working capital:			
Increase in trade and other receivables		(56)	(29)
Increase in trade and other payables		702	272
Net cash inflow / (outflow) from operating activities		(254)	(166)
Cash flow from investing activities			
Purchase of property, plant and equipment		(1)	(15)
Net cash outflow from investing activities		(1)	(15)
Cash flows from financing activities			
Proceeds from subscription of shares		500	–
Proceeds from borrowings		300	197
Net cash inflow from financing activities		800	197
Net increase / (decrease) in cash and cash equivalents		545	16
Cash and cash equivalents at beginning of period		39	25
Foreign exchange impact on cash		14	(2)
Cash and cash equivalents at the end of the period	15	598	39

There were no material non-cash transactions in the period.

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of cashflows

For the seven months ended 31 December 2021 and year ended 31 May 2021

COMPANY	Note	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 (unaudited) £'000
Cash flow from operating activities			
Loss before tax – continuing operations		(669)	(196)
Adjustments for:			
Finance expenses		8	–
Waiver of interest on convertible loans	17	–	(77)
Foreign exchange		(20)	(40)
Changes in working capital:			
Increase in trade and other receivables		(90)	(16)
Increase in trade and other payables		668	201
Net cash inflow / (outflow) from operating activities		(103)	(128)
Cash flows from investing activities			
Net Loans to subsidiary companies		(162)	(86)
Net cash outflow from operating activities		(162)	(86)
Cash flows from financing activities			
Proceeds from subscription of shares		500	–
Proceeds from borrowings		300	197
Net cash inflow from financing activities		800	197
Net increase / (decrease) in cash and cash equivalents		535	(17)
Cash and cash equivalents at beginning of period		10	27
Foreign exchange impact on cash		–	–
Cash and cash equivalents at the end of the period	15	545	10

There were no material non-cash transactions in the period.

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2021

GROUP	Share Capital £'000	Shares to be Issued £'000	Share Premium £'000	Capital Reduction Reserve £'000	Foreign Exchange Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 31 May 2020	**7**	**–**	**3,442**	**–**	**(11)**	**(1,735)**	**1,703**
Loss for the year	–	–	–	–	–	(451)	(451)
Other comprehensive loss	–	–	–	–	(5)	–	(5)
Total comprehensive loss for the year	–	–	–	–	(5)	(451)	(456)
Reduction in capital	7	–	(2,500)	2,500	–	–	–
Total transaction with owners	7	–	(2,500)	2,500	–	–	–
Balance at 31 May 2021	**7**	**–**	**942**	**2,500**	**(16)**	**(2,186)**	**1,247**
Loss for the year	–	–	–	–	–	(954)	(954)
Other comprehensive income	–	–	–	–	19	–	19
Total comprehensive loss for the year	–	–	–	–	19	(954)	(935)
Shares to be issued	–	500		–	–	–	500
Total transaction with owners	–	500		–	–	–	500
Balance at 31 Dec 2021	**7**	**500**	**942**	**2,500**	**3**	**(3,140)**	**812**

The accompanying notes on pages 36 to 55 form part of the financial statements.

Statement of changes in equity

For the year ended 31 December 2021

COMPANY	Share Capital £'000	Shares to be Issued £'000	Share Premium £'000	Capital Reduction Reserve £'000	Foreign Exchange Reserve £'000	Accumulated Losses £'000	Total Equity £'000
Balance at 31 May 2020	**7**	**–**	**3,442**	**–**	**(3)**	**(655)**	**2,791**
Loss for the year	–	–	–	–	–	(196)	(196)
Total comprehensive income for the year	–	–	–	–	–	(196)	(196)
Reduction in capital	7	–	(2,500)	2,500	–	–	–
Total transaction with owners	7	–	(2,500)	2,500	–	–	–
Balance at 31 May 2021	**7**	**–**	**942**	**2,500**	**(3)**	**(851)**	**2,595**
Loss for the year	–	–	–	–	–	(669)	(669)
Total comprehensive income for the year	–	–	–	–	–	(669)	(669)
Shares to be issued	–	500	–	–	–	–	500
Total transaction with owners	–	500	–	–	–	–	500
Balance at 31 Dec 2021	**7**	**500**	**942**	**2,500**	**(3)**	**(1,520)**	**2,426**

The accompanying notes on pages 36 to 55 form part of the financial statements.

Notes to the financial statements

For the period ended 31 December 2021

1 General information

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

The Group's principal activities are the research, development and polymer modification technologies and polymer modification techniques.

The consolidated financial statement were approved for issue by the Board of Directors on 28th June 2022.

2 Accounting policies

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

2.1 Basis of preparation

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

In publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company loss for the year was £669,233 (2020: loss of £196,000).

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

2.2 New standards, amendments and interpretations

i. New and amended standards adopted by the Company

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 July 2021 have had a material impact on the Company.

ii. New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

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

- Amendments to IAS 1: Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective date not yet confirmed)*
- Amendments to IFRS 3: Business Combinations – Reference to Conceptual Framework (effective 1 January 2022)*
- Amendments to IAS 16: Property, Plant and Equipment (effective 1 January 2022)*
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022)*
- Annual Improvements to IFRS Standards 2018-2020 Cycle (effective 1 January 2022)*
- Amendments to IAS 8: Accounting Policies, Changes to Accounting Estimates and Errors (effective date not yet confirmed)*

- Amendments to IAS 12: Income Taxes – Deferred Tax arising from a Single Transaction (effective date not yet confirmed)*

  *subject to UK endorsement

The Directors are evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the financial statements of the Company.

2.3 Going concern

The financial statement have prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

The Group had a net cash outflow from operating activities for the period to 31 December 2021 of £254,000 (31 May 2021: £166,000 outflow) and at 31 December 2021 had cash and cash equivalents balance of £598,000 (31 May 2021: £39,000).

Subsequent to period end, the Group completed the successful admission to the London Stock Exchange, raising £5,000,000 before costs. The Directors prepared budgets and cash flow forecasts covering the going concern period and have stressed tested them under varying conditions and acknowledging the successful raise of £5,000,000 raise (before costs) subsequent to period end following admission to the London Stock Exchange. The Directors believe the Group has sufficient resources to meet its obligations for a period of at least 12 months from the date of approval of these financial statements.

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

2.4 Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

2.6 Segment reporting

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

2.7 Impairment of non-financial assets

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

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

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

2.8 Cash and cash equivalents

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

2.9 Financial instruments

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

a) Classification

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

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

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

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

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

b) Recognition

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

c) Measurement

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

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

Debt instruments

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

d) Impairment

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

2.10 Leases

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Step 2: Identity the performance obligations in the contract;

Step 3: Determine the transaction price;

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

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

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

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

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

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

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

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

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

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

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

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

- Plant and equipment 5 – 7 years

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

2.17 Intangible assets
Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets acquired separately are initially recognised at cost.

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

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

2.18 Research and Development
Research expenses are recognised as an expense. The costs incurred during the development projects are recognised as intangible assets if the following occurs:

- The product or process is technically and commercially feasible
- The company intends to and has sufficient resources to complete development and to use or sell the asset.
- The product or process is ready for use or sale.
- Future economic benefits are likely.
- Development costs can be measured reliably.
- The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, as well as capitalised borrowing costs.
- Capitalised development expenditure can be measured fairly.

2.19 Investments in Subsidiaries
Investments in Group undertakings are stated at cost.

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

Know-how as an intangible asset (note 11)
The estimates and assumptions in relation to the carrying value of the know-how intangible assets are considered to have the most significant effect on the carrying amounts of the financial statements. Management have made a judgement in respect of the carrying value of the knowhow that was acquired as part of the acquisition of the subsidiary, using a discounted CF model over a 5 year life span; and a discount rate of 15%. In the current period these intangible assets were not impaired as they were considered recoverable

Recoverability of the investment in subsidiary (note 13)
As at 31 December 2021 the carrying value of the Company's investment in is subsidiary Graft Polymer d.o.o. was £1,304,000. The recoverable value of this investment is not considered to be less than it is carrying value as at 31 December 2021 and therefore no impairment has been have recognised. The Directors have made this assessment through reviewing forecasts, other available financial information available and developments during

the period and since the period-end. The key inputs within the forecast include revenue growth, gross profit margins and overheads, couple with the successful capital raise that was completed subsequent to period-end, that is to be used to progress operations.

Recoverability of amounts due from the subsidiary (note 25)
By 31 December 2021 the parent Company had advanced £302,000 as a loan to Graft Polymer d.o.o. 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.

3. Segment reporting

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

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

The Board considers that during the seven month period ended 31 December 2021 the Group operated in the single business segment of polymer development and production.

	United Kingdom £'000	**Europe £'000**	**2021 £'000**
31 Dec 2021			
Assets	2,725	405	3,130
31 May 2021			
Assets	2,099	470	2,569

4. Revenue

	7 Mths to 31 Dec 2021 £'000	**Year to 31 May 2021 £'000**
Product Sales Revenue		
Slovenia	–	3
Europe	131	255
Rest of the world	50	51
	181	309
Services Sales Revenue		
Slovenia	9	211
Europe	29	–
	38	211
Total Sales Revenue	219	520

Within the sales revenue, there were 3 customer that accounted for greater than 10% of total revenue of the Group contributing £123,000 (31 May 2021: 2 customers with total revenue of £394,000).

5. Operating costs and administrative expenditure

	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 £'000
Operating costs		
Depreciation	(46)	(109)
Operating costs	(102)	(270)
	(148)	(379)
Administrative costs		
Director and employee costs	(206)	(304)
Professional and consulting fees	(656)	(311)
Travel expenses	(2)	(3)
Foreign exchange	–	(2)
Other expenses	(36)	(33)
	(900)	(653)

6. Auditors remuneration

	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 £'000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	(37)	–
Corporate finance and company secretary fees	(90)	–
	(127)	–

7. Staff costs and directors' emoluments

Directors' remuneration and employee costs for the Group is set out below and as per Directors Remuneration report on pages 21 to 22:

	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 £'000
Directors remuneration	154	249
Employee costs	52	55
	206	304

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

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

The highest paid director received remuneration of £71,000 (31 May 2021: £119,000).

8. Taxation

No liability to incomes taxes arise in the period.

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

The differences are explained below:

	7 Mths to 31 Dec 2021 £'000	Year to 31 May 2021 £'000
The charge for year is made up as follows:		
Corporation tax on the results for the year	–	–
Income tax charge for the year	–	–
A reconciliation of the tax charge appearing in the income statement to the tax that would result from applying the standard rate of tax to the results for the year is:		
Loss per the financial statements	(954)	(451)
Tax credit at the weighted average of the standard rate of corporation tax in Slovenia of 19% and UK of 19% - being 19% (31 May 2020: 19%)	(181)	(85)
Non-deductible expenses	9	
Current year losses for which no deferred tax asset is recognised	(172)	(85)
Income tax charge for the year	–	–

Deferred tax assets carried forward have not been recognised in the accounts because there is currently insufficient evidence of the timing of suitable future taxable profits against which they can be recovered.

On 11 March 2020 it was announced (and substantively enacted on 17 March 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. On 3 March 2021, the Chancellor announced that the corporation tax rate will be increasing to 25% from 1 April 2023.

9. Finance costs – net

	7 Mths to 31 Dec 2021	Year to 31 May 2021
Interest expense – borrowings	8	–
Finance charge on leased assets	–	7
Finance costs – net	8	7

10. Earnings per share

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

	7 Mths to 31 Dec 2021	Year to 31 May 2021
Loss for the year from continuing operations – £	(954,000)	(451,000)
Weighted number of ordinary shares in issue	70,000,000	68,997,260
Basic earnings per share from continuing operations – pence	(1.36)	(0.65)

There is no difference between the diluted loss per share and the basic loss per share presented.

Notes to the financial statements

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11. Intangible assets

	31 Dec 2021 £'000	31 May 2021 £'000
Opening balance	2,068	2,068
Additions	–	–
	2,068	2,068

The additions in 2018 relates to the issue of 22,500,000 shares to founding director Victor Bolduev on the acquisition of his Know-how. At each period end, the Directors assess the intangible assets for any indicators of impairment and have concluded no presence of such indicators, and additionally management have prepared a discounted CF model over a 5 year life span; and a discount rate of 15%.

Based on the discounted CF model and there being no presences of any impairment indicators the Directors have concluded that no impairment charge was necessary during the period.

12. Property, plant and equipment

	Plant & Equipment £'000	Total £'000
Cost		
At 31 May 2020	560	560
Additions	15	15
Exchange impact	(25)	(25)
At 31 May 2021	550	550
Additions	1	1
Exchange impact	(14)	(14)
At 31 December 2021	537	537
Depreciation		
At 31 May 2020	(112)	(112)
Charge for the year	(82)	(82)
Exchange impact	8	8
At 31 May 2021	(186)	(186)
Charge for the year	(46)	(46)
Exchange impact	5	5
At 31 December 2021	(227)	(227)
Net book value at 31 May 2021	364	364
Net book value at 31 December 2021	**310**	**310**

Notes to the financial statements

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13. Investment

Company subsidiary undertakings

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

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

	Holding			
Name	31 Dec 2021	31 May 2021	31 Dec 2021 £'000	31 May 2021 £'000
Graft Polymer d.o.o.	100%	100%	1,304	1,304
Graft Polymer IP Limited	100%	100%	–	–
			1,304	1,304

14. Trade and other receivables

GROUP	31 Dec 2021 £'000	31 May 2021 £'000
Trade receivables	20	43
Other taxes and social security	99	33
Prepayment and accrued income	–	–
Other receivables	23	10
	142	86

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

	31 Dec 2021 £'000	31 May 2021 £'000
UK Pounds	112	22
Euros	30	64
	142	86

COMPANY	31 Dec 2021 £'000	31 May 2021 £'000
Other taxes and social security	88	12
Other receivables	24	10
	112	22

As at 31 December 2021 all trade and other receivables were fully performing. Trade receivables have the following aging:

	31 Dec 2021 £'000	31 May 2021 £'000
Current	20	43
1 – 3 months	–	–
3 – 6 months	–	–
> 6 months	–	–
	20	43

15. Cash and cash equivalents

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

GROUP	31 Dec 2021 £'000	31 May 2021 £'000
Cash and cash equivalents	598	39
	598	39

COMPANY	31 Dec 2021 £'000	31 May 2021 £'000
Cash and cash equivalents	545	10
	545	10

16. Share capital

	31 Dec 2021 £'000	31 May 2021 £'000
Issued and fully paid ordinary shares with a nominal value of 0.1p (31 May 2021: 0.01p)		
Number of shares	70,000,000	70,000,000
Nominal value (£'000)	7	7

Change in issued Share Capital and Share Premium:

Ordinary shares	Number of shares	Share capital £'000	Share premium £'000	Total £'000
Balance at 31 May 2020	68,000,000	7	3,442	3,449
Shares issued as trust shares[1, 2]	2,000,000	–	–	–
Transfer from share premium to capital reduction reserve[3]	–	–	(2,500)	(2,500)
Balance at 31 May 2021	70,000,000	7	942	949
Balance at 31 December 2021	70,000,000	7	942	1,449

[1] Shares issued on 6 September 2020.

[2] The trust shares are to be allocated to various shareholders on the basis of the following two milestones:

- 1,000,000 shares to be allocated upon the Group generating €1,000,000 in revenue in a 12 month period; and
- 1,000,000 shares to be allocated upon the Group generation €5,000,000 in revenue in a 12 month period.

[3] During the prior year, the Directors approved a £2,500,000 reduction in capital resulting in a transfer being made from share premium to a capital reduction reserve.

[4] During the period, the Company received £500,000 in relation to the subscription of shares for the Company's Admission to the London Stock Exchange subsequent to period end on 6 January 2022.

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

Capital and reserves
During the prior year, the Directors approved a £2,500,000 reduction in capital resulting in a transfer being made from share premium to the capital reduction reserve.

The Group statements of changes in equity are set out on page 34 of this report.

17. Borrowings

	31 Dec 2021 £'000	31 May 2021 £'000
Convertible note borrowings	950	654
Convertible note accrued interest	8	–
	958	4

	31 Dec 2021 £'000	31 May 2021 £'000
Opening balance	653	486
Convertible loans issued	300	197
Exchange impact	(3)	–
Interest accrued	8	48
Interest waived	–	(77)
Closing balance	958	653

During the period the Company raised £300,000, through convertible loan note agreements with interest of between 6 and 10% per annum. These loan notes will automatically convert on the earlier of:

- The Company completing a fundraise of at least £1,000,000 for one of the loan note holders;
- The Company completing a fundraise of at least £2,000,000 for the other loan note holder; or
- Admission to the London Stock Exchange.

During the prior year, the Company raised £197,000, through a convertible loan note and upon the Company completing a minimum capital raise of €500,000 or IPO, the loans shall be convertible at a price of 80% of the price per share of the capital raise or IPO.

During the prior year, the terms of the convertible note raised in previous periods were agreed with the convertible note holders as follows:

- No interest to accrue on the convertible notes (resulting in a reversal of the loan interest accrual);
- In the event the Company shall close an equity investment (or series of equity investments) in a minimum aggregate amount of €1,000,000, or consummate an IPO ("the Qualifying Financing Round"), the ensure loan shall convert into shares at a price per share of:
    - if the price of the Qualifying Financing Round is equivalent to or higher than €0.15, then the price of conversion shall be €0.10; or

  - o if the price of the Qualifying Financing Round is lower than €0.15, then the price of conversion shall be calculated by dividing a fixed amount of €0.10 by the result of dividing a fixed amount of €0.15 by the price of the Qualifying Financing Round (for example: if price of qualifying financing round is €0.075, than the conversion price shall be €0.10 / (€0.15/€0.075) = €0.05).

- In addition, 2,000,000 shares were issued on 30 November 2020 and held in trust to be allocated to the convertible loan note holders upon the satisfaction of two milestones:
  - o 1,000,000 shares to be allocated upon the Group generating €1,000,000 in revenue in a 12 month period; and
  - o 1,000,000 shares to be allocated upon the Group generation €5,000,000 in revenue in a 12 month period.

Subsequent to period end, all of the outstanding convertible loan notes were repaid in full through the conversion into Ordinary Shares in the Company following on from the successful admission of the Company to the London Stock Exchange on 6 January 2022.

18. Trade and other payables

GROUP	31 Dec 2021 £'000	31 May 2021 £'000
Trade payables	841	420
Accruals	480	216
Other payables	39	32
	1,360	668

COMPANY	31 Dec 2021 £'000	31 May 2021 £'000
Trade payables	479	95
Accruals	439	151
	918	246

19. Financial instruments and risk management

Capital Risk Management

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

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

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

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

Notes to the financial statements

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Credit Risk

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

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

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

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

	31 Dec 2021 Carrying Value £'000	31 Dec 2021 Maximum Exposure £'000	31 May 2021 Carrying Value £'000	31 May 2021 Maximum Exposure £'000
Cash and cash equivalents	598	598	39	39
Trade receivables	20	20	43	43
	618	618	82	82

Currency Risk

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

The Group has a limited level of exposure to foreign exchange risk through their foreign currency denominated cash balances and a portion of the Group's costs being incurred in US Dollars and Euros. Accordingly, movements in the Sterling exchange rate against these currencies could have a detrimental effect on the Group's results and financial condition. Such changes are not considered likely to have a material effect on the Group's financial position at 31 December 2021.

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

	31 Dec 2021 £'000	31 May 2021 £'000
Cash and cash equivalents		
Sterling	540	4
Euro	58	35
	598	39

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

	31 Dec 2021 £'000	31 May 2021 £'000
Balance denominated in		
Sterling	459	(62)
Euro	(319)	(265)
	(140)	(327)

Liquidity Risk

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

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

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

	31 Dec 2021 £'000	31 May 2021 £'000
Cash and cash equivalents	598	39
	598	39

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

	31 Dec 2021 £'000	31 May 2021 £'000
Due in less than one month	(880)	(452)
Due between one and three months	–	–
Due between three months and one year	–	–
	(880)	(452)

Interest Rate Risk

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

	31 Dec 2021 £'000	31 May 2021 £'000
Bank balances	598	39
	598	39

Given the extremely low interest rate environment on bank balances, any probable movement in interest rates would have an immaterial effect.

20. Financial assets and financial liabilities

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

GROUP 31 May 2021 Financial assets / liabilities	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Trade and other receivables	86	–	86
Cash and cash equivalents	39	–	39
Trade and other payables	–	(452)	(452)
	125	(452)	(327)

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

COMPANY 31 May 2021 Financial assets / liabilities	Financial assets at amortised cost £'000	Financial liabilities at amortised cost £'000	Total £'000
Trade and other receivables	22	–	22
Cash and cash equivalents	10	–	10
Trade and other payables	–	(95)	(95)
	32	(95)	(63)

21. Reconcilation of movement of net debt

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

31 May 2021	At 1 May 2021 £'000	Non-cash changes £'000	Cashflow £'000	At 31 December 2021 £'000
Cash at bank	25	(2)	16	39
Borrowings – current	(486)	30	(197)	(653)
Borrowings – non-current	–	–	–	–
Net Debt	(461)	28	(181)	(614)

22. Capital commitments

There were no capital commitments at 31 December 2021 and 31 May 2021.

23. Contingent liabilities

As part of the acquisition of know-how from founder Victor Bolduev, the Company is due to pay a royalty of 7% of Company Revenue, on a monthly basis up to an aggregate amount of €3,500,000, which will commence upon the Company achieving monthly revenue of €20,000. To date, no royalty has been paid / accrued.

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

Other than above, there were no further contingent liabilities at 31 December 2021 and 31 May 2021.

24. Commitments under operating leases

There were no commitments under operating leases at 31 December 2021 and 31 May 2021.

25. Related party transactions

The Group's investments in subsidiaries have been disclosed in note 13.

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

	Amounts owed by / (to) group companies			
	Opening Balance £'000	Movement in year £'000	Provisions in year £'000	Closing Balance £'000
Graft Polymer d.o.o. – 31 May 2021	1,322	65	(1,296)	91
Graft Polymer d.o.o. – 31 Dec 2021	91	211	–	302
Graft Polymer IP Limited – 31 May 2021	–	–	–	–
Graft Polymer IP Limited – 31 Dec 2021	–	(29)	–	(29)

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

In 2018 the Company issued 22,500,000 shares to founding director Victor Bolduev on the acquisition of his Know-how, resulting in the intangible asset of £2,068,000 (Note 11).

On 23 April 2021, the Company converted £1,296,000 (€1,487,000) of the loan to Graft Polymer d.o.o. into a capital contribution, thus reducing the amount due from Graft Polymer d.o.o.

At 31 December 2021 the Company had an outstanding amount receivable from Graft Polymer d.o.o. of £257,000 (31 May 2021 £91,000) and owed Graft Polymer IP Limited £29,000 (31 May 2021: £nil). The Company has applied the expected credit loss model as required under IFRS 9 and are comfortable that there are no impairment indications. The amount owed is unsecured, interest free, and has no fixed terms of repayment. The balance will be settled in cash. No guarantees have been given or received.

During the period, the Group incurred fees of £7,000 (31 May 2021: £12,000) from Sputnik Enterprises Limited, an entity that Roby Zomer is a beneficial owner in.

Details of directors' emoluments are set out in note 7.

During the prior year, the Group entered into a collaboration agreement with MGC Pharmaceuticals doo ("MGC"), a Company in which Roby Zomer is a director, for the provision of services for the development of MGC proprietary drug development technology. Revenue earned by the Company from MGC during the period was £10,000 (31 May 2021: £210,000) with £nil owed by MGC to the Group at period end (31 May 2021: £nil).

26. Events subsequent to period end

Subsequent to period end, the Company successfully complete the Admission to the London Stock exchange and issued 34,000,000 Ordinary shares upon Admission.

The shares issued:

- raised £5,000,000 before costs of the Admission of £850,000;
- converted the entire outstanding convertible loan note balance of £950,000; and
- settled accrued fees to directors and consultants of £498,000.

27. Control

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

Perivan 263898